



**Abertay
University**



Annual Report and Financial Statements

for the year ended 31 July 2015

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Strategic Plan 2015-2020

Our Strategic Plan begins with a statement of our *Purpose*:

- To offer transformational opportunities to everyone who has the ability to benefit from Abertay's approach to university education;
- To inspire and enable our students, staff and graduates to achieve their full potential; and
- To use our knowledge and expertise to have a positive impact on the world around us.

We then go on to articulate - with associated specific aims - a set of *Principles* that follow from the *Purpose*:

- **Choosing our own path** (being different if it means we can serve our students, staff and others better);
- **Recognising and developing potential** (offering opportunities to those who may not find them elsewhere, and attracting and developing the best staff);
- **Expanding horizons** (raising aspirations of potential students and enriching the lives of students and staff by offering opportunities for new experiences);
- **Working in partnership** (building mutually beneficial partnerships locally, nationally and internationally); and
- **Making our knowledge accessible** (applying our knowledge and expertise to make a positive impact on the world around us).

Our *Approach*: in everything we do we will strive to:

- Ensure excellence;
- Be innovative;
- Be professional;
- Be fair, inclusive and transparent;
- Provide the best possible student experience;
- Demonstrate the highest standards of leadership and governance; and
- Provide appropriate and high quality facilities.

Extracts from Strategic Plan 2015-2020



Principal's Report

This is Abertay's first Annual Report since we adopted our new Strategic Plan for 2015–2020.

The Strategic Plan, which was developed by the University's Executive Group in partnership with our staff and students and with the active involvement of the University Court (our governing body), will guide the development of Abertay University over the next five years and beyond.

Compared with most university plans, ours is short and can be read either as a narrative connecting our own understanding of ourselves as a community to our vision for the future, or as a framework to inform decisions and drive change. I encourage you to take a look at it -

<http://www.abertay.ac.uk/about/theuni/corporate/>.

As our Strategic Plan is the framework for our development as a university, I have used its *Principles* to organise this report. As you will see, 2014/15 was a year of rapid transformational change and of progress towards our objectives across a wide range of areas of activity.

"Choosing our own path"

Our Strategic Plan, together with our new Teaching and Learning Enhancement Strategy, drove a rapid pace of change in academic activities during 2014/15 with the aim of winning recognition for Abertay's distinctive, interdisciplinary and flexible approach to education.

We introduced new joint degree programmes and interdisciplinary modules for all students. We also cut a third of our programmes that were not economically viable. We revised modules so that they will in future be 20 credits in size rather than 15, adding disciplinary depth to the breadth of choice and flexibility of degree programmes.

We created the first suite of genuine 'accelerated' undergraduate degrees in Scotland, so that students can study for more weeks in the academic year and finish in three years rather than four. Alongside this we changed our academic calendar from two semesters to three terms, thereby regularising holidays and enabling us to introduce feedback and reading weeks for students, as well as permitting the introduction of the accelerated degrees. Our timetabling principles were revised to focus on the needs of students, giving them more straightforward schedules.

During 2014/15, we introduced a sector-leading turnaround time for providing feedback to students of 10 working days, with students submitting work electronically and receiving their feedback and marks the same way. Running alongside honours classification, and again in the vanguard of sectoral practice in the UK, we introduced grade point averages (GPAs) with a simplified grading scheme for assessment. Our academic regulations were also simplified during the year, reducing a 105-page document to one with eight pages.

Much of this needs to be measured to assess its success. We were joint top of all modern universities in Scotland in the score for "overall satisfaction" in the National Student Survey (NSS) 2015. From 2012 to 2015, our NSS scores improved in every category, with overall satisfaction rising from 82% to 86%, and assessment and feedback improving by 11%. We improved our league-table performance, for example rising thirteen places in the Times Higher Education Student Experience Survey and rising eight places in the Guardian University Guide.

Module pass rates improved from 92% to 95%; year-on-year student progression has risen 5% in four years; and the completion-of-degree rate has improved by 7%. The percentage of first-class passes has risen from 7% to 20% in five years, and 2:1s from 44% to 50%. This has been achieved without a drop in standards by: more rigorous assessment practices; improving moderation and board scrutiny procedures; and early monitoring and intervention after the first summative assessments.

"Recognising and developing potential"

Our engagements with schools and the local community to raise aspirations continued. Our AHEAD widening access programme for those with no formal academic qualifications received a Special Commendation at the 2015 Herald Higher Education Awards. Dundee Academy of Sport (a collaboration with Dundee & Angus College), which uses sport as a medium for learning in schools, delivered 280 lessons to 8,362 pupils; and more than 40 events were held to support adults involved in community sport. In January 2015 we launched, with the University of Dundee, the Dundee Children's University (DCU) and hosted the first DCU graduation ceremony for 86 pupils from local primary schools.

As a matter of principle, we offer a range of entry routes to study at Abertay. In 2014/15, 27% of our Scottish-domiciled undergraduate entrants articulated onto Level 2 or 3 of an Abertay course from college;

more information about this is provided elsewhere in this report. In our efforts to sustain a diverse student population, we have been successful in our recruitment of direct entrants from college, but less so in terms of the proportion of international (that is, non-EU) students, which was only 2.6% in 2014/15. We are addressing our international student recruitment through targeted marketing and recruitment, and by articulation arrangements with a growing set of selected international partners: for example, recent partnerships with MAGES Institute of Excellence, Singapore; and with Virginia Commonwealth University and George Mason University, USA.

Only 3.6% of our students were on postgraduate taught programmes; this remains a cause for concern and action is being taken to improve the position.

We continued to “mainstream” our work on equality and diversity to make it part of the fabric of University life. We were awarded the Athena SWAN bronze award in April 2015 in recognition of our commitment to advancing women’s careers in science, technology, engineering, mathematics and medicine (STEMM). Our governing body made progress towards gender balance and staff and governors were actively engaged with the work of the Equality Challenge Unit.

Staff development was a key focus in 2014/15. In our support for excellence in teaching, we revised our Postgraduate Certificate in Higher Education Teaching and developed a new CPD scheme, ‘Going for Gold’. At the time of writing, the University has 104 staff members with Higher Education Academy professional recognition and by summer 2016 we expect at least two thirds of Abertay staff involved in teaching and in supporting learning to have appropriate national professional recognition. This is a significantly higher proportion than the Scotland and UK sector averages (22% and 24% respectively).

The management of our academic Schools was restructured for 2015 with a series of new Divisions each headed by a Head of Division (a new role at Abertay); and the appointment of an Academic Curriculum Manager for each School. The new roles place a greater and more explicit emphasis on academic leadership and teaching and learning enhancement. A bespoke development programme was created to help the new appointees realise their potential in these roles.

Our Graduate School was created - bringing together all postgraduate research students in a common area with excellent facilities and support in order to build a supportive framework and a sense of community. The

Graduate School provides training and professional development opportunities to our postgraduate community, and offers help with funding applications, placement opportunities, teaching support, public engagement and outreach activity. In 2014/15 we delivered a new programme for postgraduate research students called “Introduction to Teaching and Learning in Higher Education” which gives a grounding to students involved in teaching and/or supervising.

“Expanding horizons”

We continued to place a great deal of emphasis across the University on preparing our students for employment. Work-related learning has been integrated into all programmes of study and our Careers Service provides a wide range of support and guidance to all students. Through initiatives such as the Principal’s Award – awarded to 80 students in 2014/15 – we strongly encouraged students to engage in extra-curricular activities to develop their experience, skills and capacities. We adopted the HEAR (Higher Education Achievement Report) in 2014/15 to allow students to capture this information about themselves for the benefit of potential employers.

In line with our Internationalisation Strategy, we invested significantly in expanding opportunities for our students and staff to engage in international activity. At our successful ‘Abertay Goes Global’ event in 2014/15, over 80 students made enquiries about studying or working abroad as part of their programme of study and we doubled the number of students participating in outward student mobility and traineeships compared with the previous year.

As part of our commitment to welcoming staff and students from around the world, we hosted groups of students from China and the United States to our summer schools.

“Working in partnership”

In addition to our work with colleges on articulation, in particular Dundee & Angus College and Fife College, we engaged with a wide range of businesses and organisations on research, teaching and student experience. Some examples of the broad range of work being undertaken including the following; we created joint staff appointments such as one with NHS Fife in the area of mental health nursing; the Business School held a three-day Innovation for Global Growth event, which gave students the opportunity to develop solutions to real business challenges set by organisations including Heineken, RBS and Tokheim;

60 individuals from 28 local businesses visited the University as part of a Dundee & Angus Chamber of Commerce 'Lunch & Learn' event; and our FoodInnovation@Abertay team completed 20 projects for SMEs, from dehydrating local raspberries to developing allergen free cakes and undertaking consumer analysis. The University also continued to play a role with local partners in the development of Dundee - for example, through our contribution to the V&A Museum of Design Dundee project; the Dundee bid for the City of Culture; and the achievement of the UNESCO City of Design status for the city.

The number of alumni and friends making connections with the University continued to grow in 2014/15, through initiatives such as mentoring, volunteering, international networks and industry involvement. Over 800 alumni engaged in some way with us during the year, both in person and, increasingly, digitally.

We have progressively greater involvement of students in shaping our policies and practices. During 2014/15, we worked with Abertay Students' Association as it modernised its structures and roles led by a 'Turnaround Board' on which the University was represented. We remodelled our financial arrangement with the Association to ensure that it could provide more independent support to students by creating the new role of Advice and Welfare Officer. We changed our student surveys strategy to allow for faster responses and to close the feedback loop to students; and a mid-term module survey was introduced to replace the end-of-module survey. This timing allows for module leaders to action any feedback from students while the module is still being delivered.

"Making our knowledge accessible"

Bucking the sectoral trend, we submitted more units of assessment and significantly more staff to the Research Excellence Framework (REF), and created an interdisciplinary thematic research structure to replace a narrow, discipline-specific one. The highly favourable and extensive publicity that our research has received over recent years was validated by the best REF results in our history, where our GPA improved from 1.83 to 2.15, and where we had 4* research in all but one of the units of assessment submitted. When considering the proportion of staff submitted to the REF (a measure of 'research intensity'), Abertay was ranked 76th out of 154 institutions, part of the leading group of modern British universities.

Finally, at the end of 2014/15 we were delighted to host the annual EUNIS conference for 250 heads of IT in higher education from 128 universities across 28 countries. As one of the largest such events held at Abertay, the feedback from delegates was excellent and I am pleased to end my report with some of their comments:

"This was the best organised and executed congress I have been to!"

"In terms of organisation this was one of the best conferences I have ever attended. The facilities were excellent, the information provided on the conference website was very relevant and the city and its people were very warm and friendly. The conference networking opportunities were very useful with excellent venues and the Scottish culture, heritage and food was adequately promoted. Well done Abertay University."



Financial Review

The University's financial strategy aims to maintain financial sustainability and provide the resources to enable the delivery of strategic goals.

The annual accounts comprise the financial results for the year to 31 July 2015. There are no active subsidiary companies to consolidate.

Abertay University is a charity registered in Scotland. It does not have any shareholders and surpluses are reinvested into the University and its facilities.

Universities build surpluses to allow for much needed investment in infrastructure and strategic developments. This is to maintain and improve outcomes in education, research and innovation.

In 2015 Abertay generated an underlying surplus of £2.5m.

Summary financial (surplus) position

£m	2015	2014
Underlying Surplus	2.5	3.6
% of Income	7.4%	10.0%
Less		
Restructuring	(0.4)	(1.2)
Pension accounting	(1.2)	(0.5)
Investment not capitalised	(0.4)	(2.2)
Other one-off adjustments	(0.4)	-
Reported Surplus	0.1	(0.4)
(retained within general reserves)		

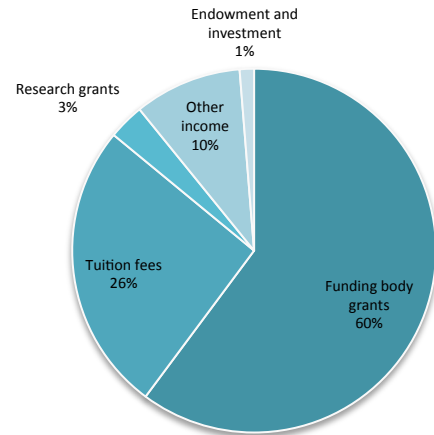
- Restructuring: a voluntary scheme was launched in 2014. Further restructuring took place in 2015 to better position the University financially ahead of a period of uncertain income growth and increasing employment costs.
- Pension: Local Government scheme (non-cash FRS-17) charge.
- Investment can be either capitalised (charged to the surplus over a period of time as depreciation; 50/5/3 years) or expensed in full in the year in which expenditure was incurred. In 2014 considerable investment was expensed (ICT equipment and building refurbishment).
- Other: one-off accounting for non-core fixed assets - a gain on disposal £0.1m and various asset write-offs (£0.5m).

Income (down 6%)

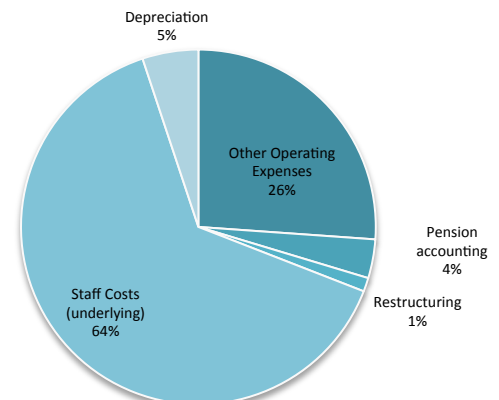
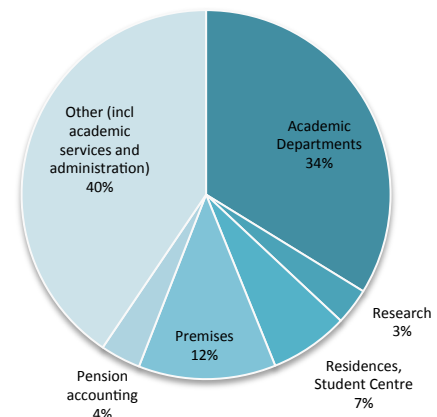
£m	£m	Var %
2014	36.7	
Tuition Fees	(1.1)	(11%)
Externally Funded Expenditure (research and other income)	(0.9)	(17%)
Teaching and Research Grant	(0.3)	(2%)
Other	0.1	
2015	34.5	(6.0%)

- Tuition fees: we reduced our target for the recruitment of SFC-funded undergraduate students (Scottish and EU) in 2015 in order to bring our overall SFC-funded student population into line with the number of student places for which we are funded by SFC and improving our student staff ratio - impact (£0.8m). Overseas fees down (£0.5m), offset by RUK +£0.2m.
- Externally funded expenditure: one-off project spend in 2014 (pump prime small games companies -£0.6m), and (£0.3m) timing of both research and non-research portfolio start/completions.
- Teaching and research grant: broadly in line with last year but individual grant allocations have changed reflecting SFC priorities.

Income 2015



Expenditure 2015

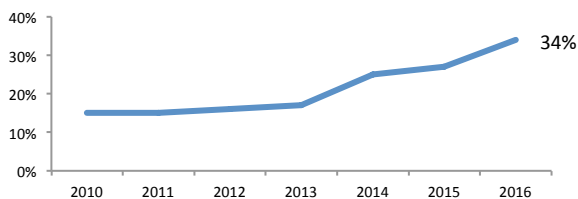


Student Recruitment and Profile

In 2015, we recruited to our planned intake target, resulting in a small reduction in our overall student population. This was planned to bring our SFC-funded student population into line with the number of funded places we receive from SFC. Overall numbers have been maintained at the same level in 2016.

Our Strategic Plan 2015-20 confirmed our commitment to widening access and to offering a range of routes to an Abertay degree. In 2015, 27% of our Scottish-domiciled undergraduate entrants articulated with advanced standing, through HNC or HND qualifications, to Years 2 or 3 of an Abertay degree. In 2016 this has increased to 34%, reflecting the strength of our relationships with our partner colleges.

% of Scottish UG entrants articulating with advanced standing



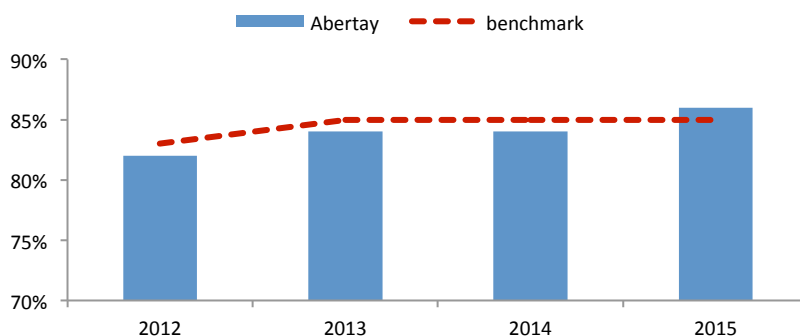
The proportion of our students from the most deprived areas of Scotland has been consistently higher than the sector average. A third of our Scottish undergraduate entrants in 2015 came from the 40% most deprived postcode areas. This has risen to 35% in 2016.

In 2015 we launched our accelerated degree, offering the students the opportunity to complete an honours degree within three years. This fast-track option works by telescoping the last two years of a standard four-year programme into 15 months. The first cohort of 41 students will begin the accelerated part of their programmes in Summer 2016.

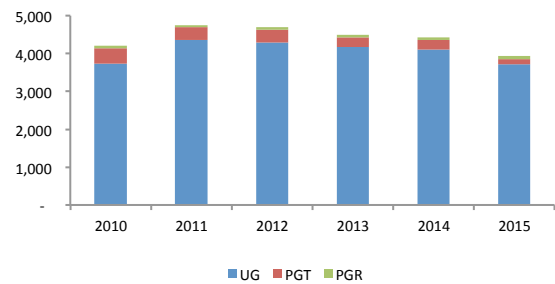
2015 saw the continuing implementation of our Teaching and Learning Enhancement Strategy, the launch of a curriculum review leading to a refreshed portfolio for 2017, and a systematic review of the policies and regulations impacting on the student experience.

The results of the 2015 National Student Survey showed an increase in the overall satisfaction score to 86%, rising above our benchmark for the first time, and an increase in our assessment and feedback scores from 64% in 2014 to 70% in 2015. Our new assessment policy, introduced in 2015, includes a commitment to provide feedback to students in ten working days.

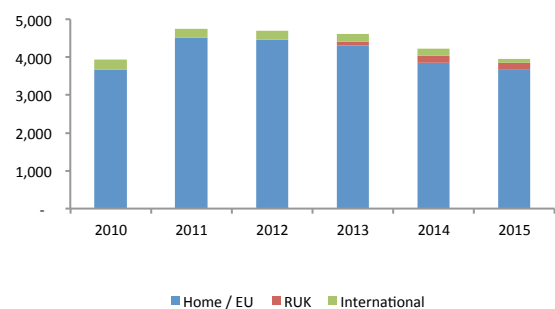
NSS overall student satisfaction



Students by level of study



Students by fee status



Note: RUK students only reported as separate to Home / EU from the 2013 intake. 2013 represents one year of students, 2014 represents two years of students, 2015 three.

Staff Expenditure

A University's most valuable resource is its staff; salary and related costs to sustain this were (£23.7m) in 2015. Staff costs (underlying) fell 1.8% despite an increase in social security costs. FTEs increased by (0.7%).

£m	2015	Var %
Wages and salaries	(18.0)	1.8%
Social security	(1.4)	(2.0%)
Employer pension contribution	(2.7)	2.0%
Staff Costs (Underlying)	(22.1)	1.8%
Restructuring	(0.4)	
Pension Accounting (staff costs)	(0.8)	
Staff Expenditure	(23.3)	2.9%
Pension Accounting (non-staff)	(0.4)	
Total Staff Related Expenditure	(23.7)	1.7%
Staff FTE	557	up 0.7%

- Staff cost (underlying) as proportion of total income was up 2.5 percentage points to 64%, consistent with our activities as a teaching intensive university.
- Salaries make up 76% of total staff related expenditure with pensions, national insurance and other on-costs 24%.
- A 2% pay award was made, from 1 August 2014.

Pensions

University staff are eligible to join one of two defined benefits pension schemes – the Scottish Teachers' Superannuation Scheme (STSS) and the local government Tayside Superannuation Fund (TSF).

Pensions are a significant staff benefit (employer contribution of c17% salary with a further -£1.2m of accounting adjustments). The cost of providing these increased by (21%) from 2014.

The University takes the exemption permitted under FRS17 to disclose the STSS Scheme as a defined contribution scheme, as STSS are not able to calculate individual employers' share of the overall deficit. The TSF scheme is disclosed as a defined benefit; the University acknowledges the resultant volatility that this will bring to the Financial Statements each year, but does recognise the liability the University would have if the scheme ceased.

Throughout this report "Pension accounting" is referred to. This relates to the FRS17 accounting of the TSF scheme; a (£0.8m) current service cost adjustment in staff expenditure (£0.4m in 2014) and a net interest charge of (£0.4m) (£0.1m in 2014).

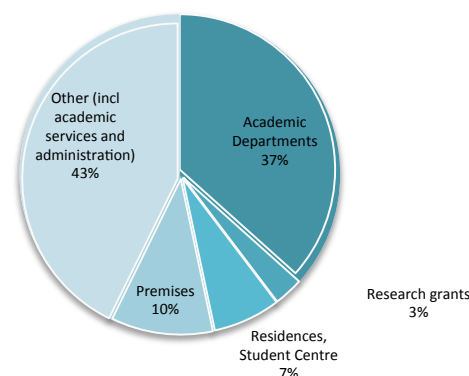
Equality and Diversity

The University believes that all employees and students have the right to expect, and that it has a responsibility to ensure, that no individual will be disadvantaged as a consequence of their age; disability; gender reassignment, marriage and civil partnership; pregnancy and maternity; race (including colour, nationality and ethnic or national origins); religion or belief; sex; or sexual orientation.

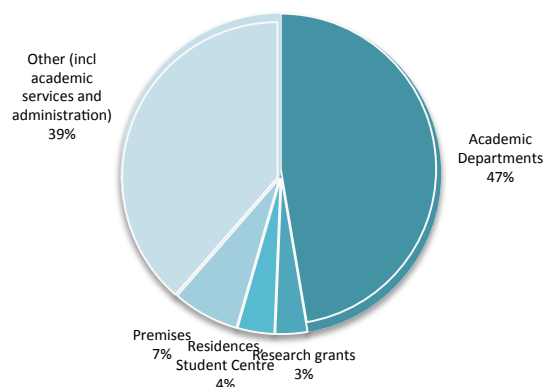
The University benefits from having employees and students from many varied nationalities, cultures and backgrounds. The University confirms its commitment to a policy of equal opportunities in its selection, recruitment and treatment of students and employees. The University aims to ensure that all individuals will be treated with dignity and respect and that an environment is achieved where unlawful discrimination is not tolerated. Additionally the University aims to foster good relations between people from different groups, to tackle prejudice and to promote understanding between people from different groups, characteristics and backgrounds.

In 2015, the University was awarded the Athena Swan Bronze Award to recognise its commitment to advancing the careers of women in science, technology, engineering, maths and medicine (STEMM) employment in higher education and research.

Staff FTE 2015



Staff Costs (Underlying) 2015



Balance Sheet

Operating surpluses and careful management of cash have created the capacity to leverage external funding to invest in infrastructure and strategic developments. This is to maintain and improve outcomes in education, research and innovation.

Year-end position

£m	2015	2014
Fixed assets	30.6	32.1
Endowment assets	0.9	0.9
Stock and debtors	1.6	1.3
Creditors (within one year)	(6.2)	(6.6)
Investments	6.9	7.0
Cash (at bank and in hand)	8.5	6.2
Net current assets	10.8	7.9
Net assets (excl pension liability)	42.4	40.9
Pension liability	(12.5)	(23.0)
Net assets (incl pension liability)	29.9	17.9

The balance sheet position is backed by strong cash reserves (liquidity ratio of 172 days) which give the University flexibility to invest strategically.

The balance sheet is a snapshot in time:

- Cash (2015) includes £1.5m of payments received in advance for committed future expenditure.
- Major refurbishment took place in summer 2014, with a substantial programme planned for summer 2016. This could include part funding from the closing 2015 cash reserves.

Fixed Assets

The value of fixed assets has fallen (5%):

- Capital investment was lower than depreciation (investment planned ahead summer 2016, relatively lower spend in 2015)
- Part disposal of property (£0.4m)
- Asset impairment (£0.5m write-down through accelerated depreciation of various non-core assets to reflect net realisable value).

Pension liability

The TSF scheme is disclosed as a defined benefit. Employer contributions were set after the triennial valuation 31 March 2014.

The net pension liability of (£12.5m) at 31 July 2015 has significantly improved from last year (£23.0m). This is due to:

- £8m experience gain on the liabilities (based on 31 March 2014 actuarial valuation). This is the result of liabilities increasing at a lower rate to that projected over the intervalation period (lower salary increases and favourable member experience).
- £4m gain on fund assets as a result of pooling (with other fund employers in order to share experience of risks).

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 2015 the University paid 75.6% of invoices within 30 days, with no penalty interest incurred.

Case study: 2014, 2015 Investment

£4m expenditure (capital and non-capital expenditure) to improve the student experience. £1m SFC grant leverage, £3m own funds.

	£m	
Maintenance	(1.0)	Roof replacement (two buildings)
Renew and refurbish	(2.6)	ICT transformation (£1.5m)
		Multi-use flexible space (£0.6m)
		Other projects (£0.5m)
Strategy	(0.6)	Graduate School study/social space (£0.2m)
		Support Enquiry Zone (£0.4m)
Expenditure	(4.2)	
SFC	0.8	Capital Grant 2014, 2015 Operating
Internal	3.4	surplus and cash reserves
Funding	4.2	

Investment programme

The University has identified a £50m programme of challenging and aspirational investment:

- To address the £17m backlog of building investment (non-residential estate; cost to upgrade from a poor to a sound and operationally safe condition).
- To enhance the student experience; keeping up with rising student expectations and growing international competition.
- To strategically invest in new activities and facilities.

This is at a time when funding council grants are at an historical low (having fallen by over 80% between 2010 and 2016) and competitors are heavily increasing capital investment (capital expenditure by English universities rose by 23% over the same period).

The University will continue to develop and action a sustainable investment plan, which involves leveraging cash reserves and operating surpluses with external funding. At present the University does not have any external borrowing. Further funding council grants will accelerate investment and the impact.

Outlook

There will be a period of considerable financial uncertainty for the higher education sector. There will be significant and unavoidable rises to the cost base in the coming years, balanced against the need to make investment, with uncertainty over future funding. The University is well placed financially to deal with its short and longer term commitments and to develop new sources of income and reduce costs.

Staff Costs

- Pay award (1 August 2015): confirmed 1% increase.
- Employer's national insurance contributions (1 April 2016): confirmed increase because of changes to state pension arrangements.
- Sustainability of staff pension schemes: increase in employer contributions expected due to persistent scheme deficits.

Investment

To allow for much needed investment, and in the absence of any significant level of capital funding from the Scottish Government, Higher Education Institutions have built operating surpluses which will be increasingly difficult to maintain. However, much larger surpluses are needed to assure long-term sustainability, in order to cover the full economic costs of their activities.

The new Higher Education SORP

A new education SORP has been published in order to reflect the FRS 102 accounting framework. This also provides guidance to the education sector on areas where FRS 102, the new UK accounting standard, is silent or where guidance is considered necessary.

This presents a real challenge both in terms of practical understanding of the new requirements and what they will mean for individual institutions.

The 2015 accounts have been presented in accordance with the old SORP. 2016 will be the first year of new SORP reporting; the 2015 comparatives will be restated.

Prevent Duty for Higher Education Institutions

The UK government is committed to fighting the spread of extremist views and ideologies and the Counter-Terrorism and Security Act 2015 imposes a Prevent duty on specific authorities which includes 'Relevant Higher Education Bodies' or RHEBs. The duty is designed to be lightweight and assumes an existing competence in dealing with extremism. The guidelines are not prescriptive in that the legislation leaves the detail of policies to the institution with compliance defined by the policies being properly followed and applied.

Home Office Tier 4 Visa compliance

More institutions could lose their licences to sponsor international students after the government announced it would introduce stricter rules on recruiting students from outside the European Union. Currently, institutions can lose their licence if more than 20% of the students they have offered places to are refused a visa by the Home Office. From November 2014, this proportion was cut to 10%. As a result of this, institutions which previously had compliant visa refusal rates of between 10% and 20% may become non-compliant if they do not reduce their refusal rates, so careful examination is required by compliance teams.

Risk Management

In 2015, the University refreshed its approach to risk management with a view to ensuring that this is fully embedded in future planning and decision-making. The risk management policy and framework has been revised to ensure greater clarity of responsibilities, to include a statement of risk appetite and to set out the operational level risk process. Schools and Services prepared operational risk registers for the first time alongside their operational plans for 2016. The final revised version of the risk management policy and framework, along with the updated strategic risk register will be presented to Court for approval in December 2015.

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 Scottish Code of Good HE Governance (July 2013). This Corporate governance statement covers the full financial year up to and including the date of the approval of the annual financial statements.

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, lay co-opted members, *ex officio* members and staff members with a maximum number of members of 25. Lay core members have 'experience of industrial, commercial or employment matters or the practice of any profession' and remain an absolute majority, whilst the lay co-opted membership includes at least one person having experience in each of 'local government' and 'the provision of education'. Of the 25 members, up to 18 form the lay core and co-opted, 4 are *ex officio* (Principal, 2 Vice-Principals and the President of the Students' Association) and 3 represent Senate and academic and nonacademic staff.

Court, under its Order, is required to meet at least three times per year. Court met five times in the year to 31 July 2015 and the aggregate attendance rate was 80%. The table overleaf shows all members of Court and their attendance at meetings of Court and its main committees.

During the year to 31 July 2015, Court appointed four new independent Court members following public advertisement and interview exercises. In addition to the new Abertay Students' Association President, there was also an election for a member of academic staff and the appointment of a new member from Senate. Following the subsequent resignation of the elected academic staff member during the year, a second election was held and this new individual will take up post from next year. Four members attended external governor development programme events as part of their on-going training and participated in University-provided induction and briefing activity. Five new members of Court attended an internal formal induction session; three lay members attended an externally-provided event on 'Being an effective governor' and 'A toolkit for effective governors'; and the Student President attended an externally-provided event on 'Students as governors'.

Corporate governance statement (continued)

Court members' attendance at meetings of Court and Court Committees (to 31 July 2015)

	Court	Court Committees					
		Audit Committee	Finance & Corporate Performance Committee	Governance & Nominations Committee	Chair's Committee	Remuneration Committee	People, Health & Equality Committee
		5 meetings	5 meetings	5 meetings	5 meetings	2 meetings	5 meetings
Mr M Batho	4		4		4		0
Ms A Boyle +	5	3					
Mr J Burt OBE +	5				5		5
Mrs L Baxter +	4			5			
Ms A Cameron (from 01.01.2015)	(3 of 3)						
Professor D Carson (01.01.15 to 31.05.15)	(2 of 2)						(1 of 3)
Dr A Cornish (from 01.01 2015)	(2 of 3)	(1 of 3)					
Ms R Donoghue (to 30.06.2015)	5		5	5			4
Mr D Dorward +	0		4		3	1	
Mr R Fletcher +	4		5				
Mr E W Frizzell CB +	5			4	5	1	
Mr M Grossi +	2	2					
Mr G MacDougall +	4						4
Mr C Macdonald +	5						
Mr A Macmillan Douglas OBE +	3						
Mr I McDonald + (from 01.01.2015)	(1 of 3)	(3 of 3)	(3 of 3)				
Mr D McLaren + (to 31.12.2014)	(2 of 2)	(2 of 2)	(1 of 2)				
Mr J Nicholson (to 31.12.2014)	(2 of 2)						
Professor S Olivier	3				5		
Rt Rev Dr N Peyton +	5			5			
Dr J Rees +	5						3
Mr J Reid + (to 01.04.2015)	(0 of 3)		(1 of 3)				
Dr A Samuel (to 31.12.2014)	(2 of 2)						(1 of 2)
Mrs S Scott +	4			5	3	1	
Professor N Seaton	5	3		5	5		
Mr M Shaw +	4					2	
Mrs H Smith	5			5			
Professor E Wilson +	5	5			5	2	
Aggregate attendance level (figures for year to 31 July 2014)	80% (76%)	70% (68%)	78% (72%)	97% (82%)	88% (84%)	70% (100%)	58% (75%)

+ Non-executive/lay member

Corporate governance statement (*continued*)

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.

Court has formally constituted a number of Committees, all of which have clearly defined remits and the majority of which have a lay member as Chair. The major Committees are: Audit Committee; Chair's Committee; Finance & Corporate Performance Committee; People, Health & Equality Committee; Governance & Nominations 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. It received reports at each meeting on internal control and twice a year it received reports on strategic risk management. Both areas are reported upwards to Court. The Audit Committee also oversaw work by the University to review its strategic level risks.

The University does not have an in-house 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. The internal auditors adopt a risk-based approach to identifying future audits, taking into account the University's strategic objectives, and areas audited include core business and operational risks as well as financial risks. The internal auditors conducted eight reviews during the year ended 31 July 2015 including a review of the implementation of recommendations arising from the previous year's reviews.

The Audit Committee met five times and the aggregate attendance was 70%. The members of the Audit Committee for the year to 31 July 2015 were:

<i>Mr D McLaren (Chair until 31 December 2014)</i>	<i>Dr A Cornish</i>
<i>Mr I McDonald (Interim Chair from 1 January 2015)</i>	<i>Mr M Grossi</i>
<i>Ms A Boyle</i>	<i>Professor E Wilson</i>

The Chair's Committee acts in the name of Court in cases of urgency, subject to any decision being reported to the next meeting of Court. The Chair's Committee held five meetings in the session and the aggregate attendance was 88%. The members of this Committee for the year to 31 July 2015 were:

<i>Mr E W Frizzell CB (Chair)</i>	<i>Professor S Olivier</i>
<i>Mr M Batho</i>	<i>Mrs S Scott</i>
<i>Mr J Burt OBE</i>	<i>Professor N Seaton</i>
<i>Mr D Dorward</i>	<i>Professor E Wilson</i>

The Finance & Corporate Performance Committee oversees and supervises the receipt, expenditure and control of all revenues. It advises Court on all strategic financial matters. The Committee met five times and aggregate attendance was 78%. The Committee also supervises and reviews the financial administration of the University. The members of the Finance & Corporate Performance Committee for the year to 31 July 2015 were:

<i>Mr Dorward (Chair)</i>	<i>Mrs W Grant</i>
<i>Mr M Batho</i>	<i>Mr A Randall (to 23 March 2015)</i>
<i>Ms R Donoghue</i>	<i>Mr J Reid (to 1 April 2015)</i>
<i>Mr R Fletcher</i>	<i>Mr I Simpson</i>
<i>Mr I McDonald</i>	

Corporate governance statement (*continued*)

The People, Health & Equality Committee oversee the development of HR strategy and policies. It also oversees equality and diversity and health and safety matters relating to students and staff. The Committee met five times and aggregate attendance was 58%. The members of the Committee for the year to 31 July 2015 were:

<i>Mr J Burt OBE (Chair)</i>	<i>Ms E Fraser</i>
<i>Mr M Batho</i>	<i>Mr G MacDougall</i>
<i>Professor D Carson (1 January to 31 May 2015)</i>	<i>Dr J Rees</i>
<i>Ms R Donoghue</i>	<i>Dr A Samuel (to 31 December 2014)</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 2015 were:

<i>Mr J Nicholson (Chair)</i>	<i>Mr B Peter</i>
<i>Dr M Bhatia</i>	<i>Dr K Oduyemi</i>
<i>Ms S Campbell</i>	<i>Mrs M Oduyemi</i>
<i>Dr Y Deeni</i>	<i>Mr C Rae</i>
<i>Dr E Dempster</i>	<i>Mr R Smith</i>
<i>Ms R Donoghue</i>	<i>Mrs S Stewart</i>
<i>Ms E Fraser</i>	<i>Ms N Tully</i>
<i>Mr A Milne</i>	<i>Mr B Yuksel</i>
<i>Ms D Norris</i>	

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 University acknowledges the work of Professor A Adya, whose unexpected passing during the year was a loss to the committee and to the University as a whole. The members of the Health & Safety Sub-Committee for the year to 31 July 2015 were:

<i>Mrs S Stewart (Chair)</i>	<i>Dr C Özveren</i>
<i>Professor A Adya (until January 2015 – deceased)</i>	<i>Mr C Rae</i>
<i>Mr M Batho</i>	<i>Professor G Reid</i>
<i>Mr G Burke</i>	<i>Professor C Schaschke</i>
<i>Ms A Cameron</i>	<i>Mr I Simpson</i>
<i>Ms R Donoghue</i>	<i>Mrs H Smith</i>
<i>Mr P Forte</i>	<i>Mr J Smith</i>
<i>Ms E Fraser</i>	<i>Mr R Smith</i>
<i>Mr F Greig</i>	<i>Dr A Spiers</i>
<i>Mrs M Guild</i>	<i>Mr M Turpie</i>
<i>Mrs S Jeffrey</i>	<i>Ms Y Wharton</i>
<i>Professor L Natanson</i>	<i>Dr N White</i>

The Governance & Nominations Committee's purpose is, *inter alia*, to consider and bring forward recommendations in relation to issues relating to good practice in institutional governance. It also, from June 2013, acts as a Nominations Committee, considering recommendations for the appointment of lay core and co-opted members to Court, which are then referred to Court. The Committee met five times and aggregate attendance was 97%. The members of the Governance & Nominations Committee to 31 July 2015 were:

<i>Mrs S Scott (Chair)</i>	<i>Rt Rev Dr N Peyton</i>
<i>Mrs L Baxter</i>	<i>Professor N Seaton</i>
<i>Ms R Donoghue</i>	<i>Mrs H Smith</i>
<i>Mr E W Frizzell CB</i>	

Corporate governance statement (*continued*)

The Remuneration Committee, which met twice in the financial year with 70% attendance, 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 2015 were:

Mr M Shaw (Chair)
Mr E W Frizzell CB
Mr D Dorward

Mrs S Scott
Professor E Wilson

The University Court, through its Governance & Nominations Committee, carries out regular reviews of its effectiveness. The last effectiveness review took place in session 2011/12 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. Court also reflects annually on its effectiveness through various means including through individual discussions between the Chair and members; through an evaluation by all members of the effectiveness of the Chair through discussion led by the Court Intermediary; and through the work of the Governance & Nominations Committee in continually developing corporate governance to ensure that it is aligned with good practice. In session 2014/15, Court approved a new approach to annual review of its effectiveness and found that it met in full the main principles of the Scottish Code of Good HE Governance and was effective when reviewed against its Statement of Primary Responsibilities. It noted that the diversity of its members was improving and that it was close to meeting its target of having at least 40% of the membership being women. Some areas for further consideration including further enhancements to stakeholder engagement were identified.

The primary responsibilities of Court, as the governing body of the University, are

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators (KPIs); to ensure that these meet the interests of stakeholders; and to ensure that there are opportunities for Court to provide strategic input in the development of key strategies and long-term plans such that their approval can be considered by Court without conflict of interest.
2. To appoint a Principal and Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
3. To appoint a secretary to Court and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
4. To delegate authority to the Principal and Vice-Chancellor of the University, as chief executive, for the academic, corporate, financial, estate and personnel management of the University; and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and 'whistle-blowing' complaints and for managing conflicts of interest.
6. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
7. To establish processes to monitor and evaluate the performance and effectiveness of Court itself.
8. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
9. To safeguard the good name and values of the University.
10. To be the employing authority for all staff in the University and to approve a human resources strategy.
11. To ensure that non-discriminatory systems are in place to provide equality and diversity of opportunity for staff and students

Corporate governance statement (*continued*)

12. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
13. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
14. To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
15. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
16. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

There were no changes to the other significant commitments of the Chair 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 considered by Senate, by Finance & Corporate Performance 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 2015, Court was involved in strategic workshops and discussions around the development of the next University Strategic Plan for the period 2015-2020, which was approved in December 2014.

Going concern

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

Signed by



Mr Edward W Frizzell CB
Chair, 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 and Corporate Performance 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 (the "institution")

Report on the financial statements Our Opinion

In our opinion, the financial statements defined below:

- give a true and fair view of the state of the institution's affairs as at 31 July 2015 and of the institution'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 requirements of the Statement of Recommended Practice – Accounting for 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).

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The institution financial statements, which are prepared by The University of Abertay Dundee, comprise:

- the Balance Sheet as at 31 July 2015;
- the Income and Expenditure Account for the year then ended;
- the Statement of Total Recognised Gains and Losses for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include recognition of income, fixed assets and investments, endowments, cash flows and pensions; and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Court has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

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

In our opinion, in all material respects:

- funds from whatever source administered by the 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.
-

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- sufficient accounting records have not been kept by the institution; or
- the 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.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion, the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

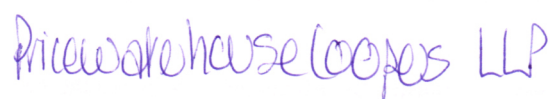
Responsibilities for the financial statements and the audit

Respective responsibilities of the Court and auditors

As explained more fully in the Responsibilities of the University Court set out on pages 18 and 19, 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 ISAs (UK & 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
16 December 2015

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

- (a) The maintenance and integrity of the Abertay University 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 the 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 (2007)* 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 FRS 18 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".

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. Where the amount of Tuition fee is reduced, 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 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.

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.

Statement of principal accounting policies (*continued*)

Tangible Fixed Assets, Capital Grants and Depreciation

Land and buildings are stated at cost or 1994 valuation less accumulated depreciation. Freehold land is not depreciated. 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
General Equipment	20%
Computer Specialist Equipment	33%

The depreciation charged in respect of revalued buildings for the year to 31 July 2015 has been transferred from the Revaluation Reserve to the Income and Expenditure Account.

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 investments that form part of Endowment Assets are included in the Balance Sheet at market value.

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.

Statement of principal accounting policies (*continued*)

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 financial statements 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.

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.

Operating Leases

Operating lease payments are expensed in the period in which they relate.

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.

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.

Statement of principal accounting policies (*continued*)

Pension Schemes

The two principal pension schemes for the University staff are:

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

Pension costs for TSF are assessed on the latest actuarial valuation of the Scheme and are accounted for on the basis of FRS 17. The post retirement benefit surplus or deficit is included on the University's balance sheet. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The current service cost and any past service costs are included in the income and expenditure account within operating expenses and the expected return on the schemes' assets, net of the impact of unwinding of the discount on scheme liabilities, is included within other Finance income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised in the statement of total recognised gains and losses.

STSS is a multi-employer scheme, for which contributions are charged directly to the income and expenditure account as if the scheme was a defined contribution scheme. Because of the mutual nature of the scheme, the schemes assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting year.

Income and expenditure account for the year ended 31 July 2015

	Note	2015 £000	2014 £000
Income			
Funding body Grants	1	20,751	20,914
Tuition Fees and education contracts	2	8,894	9,945
Research grants and contracts	3	1,099	1,177
Other income	4	3,301	4,125
Endowment and investment income	5	439	392
		<u>34,484</u>	<u>36,553</u>
Total Income			
Expenditure			
Staff Costs	6	23,340	23,042
Voluntary Severance Costs	6	0	991
Other operating expenses	7	9,009	11,771
Depreciation	10	1,758	1,053
Interest and other finance costs	9	382	100
		<u>34,489</u>	<u>36,957</u>
Total Expenditure			
		<u>(5)</u>	<u>(404)</u>
Deficit after depreciation of fixed assets			
Disposals of fixed assets		<u>124</u>	<u>0</u>
		<u>119</u>	<u>(404)</u>
Surplus/(Deficit) after depreciation of fixed assets and disposal of assets			
		<u>119</u>	<u>(404)</u>
Surplus/(Deficit) for the year retained within general reserves		<u>119</u>	<u>(404)</u>

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

Statement of historical cost surpluses for year ended 31 July 2015

	Note	2015 £000	2014 £000
Surplus/(Deficit) for the financial year	18	119	(404)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount		107	107
		<u>226</u>	<u>(297)</u>
Historical Surplus/(Deficit) for the year			

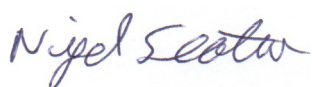
Statement of total recognised gains and losses
for the year ended 31 July 2015

	Note	2015	2014
		£000	£000
Income			
Surplus/(Deficit) after depreciation of fixed assets and disposal of assets		119	(404)
Endowment income released for year	13	(32)	(66)
Appreciation of endowment asset investments	13	33	6
Transfer of Abertay Foundation to University		170	0
Actuarial Gain/(Loss) in respect of Pension Scheme	23	11,713	(10,106)
Total recognised gains/(losses) relating to the year		<u>12,003</u>	<u>(10,570)</u>
Reconciliation			
Opening reserves and endowments		2,443	13,013
Total recognised gains/(losses) relating to the year		12,003	(10,570)
Closing reserves and endowments		<u>14,446</u>	<u>2,443</u>

Balance sheet
at 31 July 2015

	Note	2015	2014
		£000	£000
Fixed Assets			
Tangible assets	10	30,598	32,083
Investments	12	<u>25</u>	<u>25</u>
		30,623	32,108
Endowment assets	13	914	913
Current assets			
Stock	11	25	28
Debtors	14	1,535	1,259
Investments	12	6,909	7,005
Cash at bank and in hand		<u>8,547</u>	<u>6,204</u>
		17,016	14,496
Less: Creditors: amounts falling due within one year	15	<u>(6,170)</u>	<u>(6,647)</u>
Net Current Assets		10,846	7,849
		<hr/>	<hr/>
Total Assets less current liabilities		42,383	40,870
Net assets excluding Pension Liability		42,383	40,870
Net Pension Liability	18	<u>(12,473)</u>	<u>(22,966)</u>
Net assets including Pension Liability		<u>29,910</u>	<u>17,904</u>
Deferred capital grants	16	15,464	15,462
Endowment Funds	17	914	913
Reserves			
Income and Expenditure account excluding Pension Reserve		22,721	21,104
Pension Reserve	18	<u>(12,473)</u>	<u>(22,966)</u>
Income and Expenditure account including Pension Reserve	18	10,248	(1,862)
Revaluation Reserve	18	<u>3,284</u>	<u>3,391</u>
		13,532	1,529
Total Funds		<u>29,910</u>	<u>17,904</u>

These financial statements on pages 23 to 45 were approved by Court on 16 December 2015 and were signed on its behalf by:



Professor Nigel Seaton
Principal & Vice-Chancellor



Mr Edward Frizzell
Chair, University Court



Mr David Reeves
Director of Finance and Research Funding

Cash flow statement
for the year ended 31 July 2015

	Note	2015	2014
		£000	£000
Cash inflow/(outflow) from operating activities	20	<u>1,830</u>	<u>(434)</u>
Returns on investments and servicing of finance			
Income from endowments	17	32	66
Income from current asset investments		270	269
Other interest received		<u>39</u>	<u>42</u>
Cash inflow from returns on investments and servicing of finance		<u>341</u>	<u>377</u>
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets	10	(459)	(1,206)
Receipts to dispose of tangible fixed assets		62	0
Capital grants received	16	440	15
Endowments expenditure	17	<u>(119)</u>	<u>(132)</u>
Cash inflow/(outflow) from capital expenditure and financial investments		<u>(76)</u>	<u>(1,323)</u>
Management of liquid resources			
Purchase of current asset investments	12	(197)	(215)
Receipts to dispose of current asset investments		276	236
Transfer of Abertay Foundation		<u>171</u>	<u>0</u>
Cash inflow from management of liquid resources		<u>250</u>	<u>21</u>
Cash inflow/(outflow) before financing		<u>2,345</u>	<u>(1,359)</u>
Increase/(Decrease) in cash		<u><u>2,345</u></u>	<u><u>(1,359)</u></u>

Notes to the financial statements

1 Funding body grants

	2015	2014
	£000	£000
SFC Recurrent Grant :		
Teaching Grant	16,704	17,114
Research Grant	854	772
Non Recurrent Grants	3,010	2,851
Deferred Capital grants released in year :		
Buildings	177	177
Equipment	6	0
Total Income	<u><u>20,751</u></u>	<u><u>20,914</u></u>

2 Tuition fees and education contracts

	2015	2014
	£000	£000
Scottish student fees	5,717	6,347
RUK student fees	1,085	886
EU student fees (excluding UK)	872	1,023
Non EU student fees	1,127	1,630
Other fees	93	59
Total Income	<u><u>8,894</u></u>	<u><u>9,945</u></u>

3 Research grants and contracts

	2015	2014
	£000	£000
Research Councils	122	220
UK Charities	209	183
UK Government	283	395
UK Industry	50	42
EU	308	243
Other	127	94
Total Income	<u><u>1,099</u></u>	<u><u>1,177</u></u>

The comparative figures have been reclassified to ensure consistency of reporting with the current year.

Notes to the financial statements (*continued*)

4 Other income

	2015	2014
	£000	£000
Residences and catering	1,076	977
Other income generating activities	461	363
Other grant income	85	629
Releases from deferred capital grants	255	255
Other income	523	963
Student Centre	901	938
Total Income	<u><u>3,301</u></u>	<u><u>4,125</u></u>

The comparative figures have been reclassified to ensure consistency of reporting with the current year.

5 Endowment and investment income

	Note	2015	2014
		£000	£000
Income from endowment asset investments		37	30
Income from current asset investments		270	269
Gain on disposal of current asset investments		93	51
Other interest receivable		39	42
Total Income		<u><u>439</u></u>	<u><u>392</u></u>

6 Staff costs

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

	2015	2014
	Number	Number
Senior Management	21	20
Academic Departments	204	200
Academic Services	55	62
Research grants and contracts	17	24
Administration	119	109
Premises	59	58
Other	43	39
Catering and residences	11	11
Student Centre	28	30
	<u><u>557</u></u>	<u><u>553</u></u>

The comparative figures have been reclassified to ensure consistency of reporting with the current year.

Notes to the financial statements (*continued*)

6 Staff costs (*continued*)

Staff costs for the above persons:

	2015	2014
	£000	£000
Senior Management	2,140	1,916
Academic Departments	10,444	10,045
Academic Services	1,779	2,116
Research grants and contracts	733	764
Administration	3,668	4,038
Premises	1,534	1,401
Other	1,360	1,479
Catering and residences	262	261
Student Centre	582	634
FRS 17 current service cost adjustment	838	388
Voluntary severance costs	0	991
	<u>23,340</u>	<u>24,033</u>

Included within staff costs are £0 (2014 -£175,000) of restructuring costs.

The comparative figures have been reclassified to ensure consistency of reporting with the current year.

Classified as:

Wages and salaries	18,431	18,501
FRS 17 current service cost adjustment	838	388
Social security costs	1,399	1,427
Employer Contribution - Pension Costs	2,672	2,726
Voluntary severance costs	0	991
	<u>23,340</u>	<u>24,033</u>

Costs of higher paid employee:

Remuneration paid to the Principal (Professor N Seaton) during the year including salary and other taxable benefits	169	165
Employer's contribution to pension	27	26
	<u>196</u>	<u>191</u>

No bonus or other taxable benefits were paid to the principal during the year.

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

	2015	2014
	Number	Number
£70,001 - £80,000	11	11
£80,001 - £90,000	1	1
£110,001 - £120,000	0	2
£120,001 - £130,000	2	0

Notes to the financial statements (*continued*)

6 Staff costs (*continued*)

Remuneration, excluding employer's contribution to National Insurance and superannuation schemes paid to Executive officers during 2014/15 was:

	Salary Banding
Principal : Professor N Seaton	£160,001- £170,000
Vice Principal (Academic) : Professor S Olivier	£120,001- £130,000
Vice Principal (University Services) : Mr M Batho	£120,001- £130,000
University Secretary : Mrs S Stewart	£70,001- £80,000

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

	2015	2014
	£000	£000
Travel Costs	7	6
Subsistence	0	1
	<u>7</u>	<u>7</u>

During the year ended 31 July 2015 compensation arrangements applied to 2 senior members of staff (2014 – 1) earning in excess of £70,000.

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

	2015	2014
	£000	£000
Abertay University Students' Association	210	221
Administration costs	547	541
Advertising, marketing and public relations	343	417
Books and periodicals	461	480
Diminution in value of current asset investments	105	40
Equipment and consumables	1,676	2,481
External auditors' remuneration	50	46
Internal auditors' remuneration	33	34
Other expenses	1,702	1,566
Professional Fees	531	731
Property costs including utilities	634	835
Repairs and general maintenance	639	2,000
Residences and catering	591	961
Scholarships, prizes and other endowment expenditure	38	30
Student Centre	719	748
Travel and staff training	730	640
	<u>9,009</u>	<u>11,771</u>

The comparative figures have been reclassified to ensure consistency of reporting with the current year.

Notes to the financial statements (*continued*)

8 Analysis of expenditure by activity

	Staff Costs £000	Depreciation and Impairment £000	Other Operating Expenses £000	Interest Payable £000	2015 £000	2014 £000
Academic Departments	10,852	20	777	0	11,649	11,195
Academic Services	1,873	403	1,261	0	3,537	3,743
Research grants and contracts	733	0	381	0	1,114	1,152
Residences and catering	262	159	591	0	1,012	1,224
Premises	1,534	1,105	1,514	0	4,153	5,543
Administration	5,306	0	2,313	0	7,619	7,826
Other	1,360	3	1,452	0	2,815	3,410
Student Centre	582	68	720	0	1,370	1,385
FRS17 Current service cost adjustment	838	0	0	382	1,220	488
Voluntary Severance Costs	0	0	0	0	0	991
	<u>23,340</u>	<u>1,758</u>	<u>9,009</u>	<u>382</u>	<u>34,489</u>	<u>36,957</u>

The comparative figures have been reclassified to ensure consistency of reporting with the current year.

The depreciation and impairment charge has been funded by:

	Note	2015 £000	2014 £000
Deferred capital grant released	16	438	431
Revaluation reserve transferred	18	107	107
General Income		1,213	515
		<u>1,758</u>	<u>1,053</u>

9 Interest and other finance costs

	2015 £000	2014 £000
Net interest charge on Pension Scheme	382	100
	<u>382</u>	<u>100</u>

Notes to the financial statements (*continued*)

10 Tangible assets

	Freehold Land and Buildings £000	General Equipment £000	Computer Specialist Equipment £000	Total £000
Cost				
At 1 August	42,078	2,109	3,043	47,230
Additions	424	16	19	459
Disposals	(334)	(70)	(14)	(418)
At 31 July	<u>42,168</u>	<u>2,055</u>	<u>3,048</u>	<u>47,271</u>
<i>Valuation 1994</i>	<i>16,104</i>	<i>0</i>	<i>0</i>	<i>16,104</i>
Accumulated Depreciation				
At 1 August	11,267	1,930	1,950	15,147
Additions	811	58	404	1,273
Impairments	485	0	0	485
Eliminated in respect of disposals	(147)	(71)	(14)	(232)
At 31 July	<u>12,416</u>	<u>1,917</u>	<u>2,340</u>	<u>16,673</u>
Net Book Value				
At 31 July 2015	<u>29,752</u>	<u>138</u>	<u>708</u>	<u>30,598</u>
At 31 July 2014	<u>30,811</u>	<u>179</u>	<u>1,093</u>	<u>32,083</u>

Buildings with a net book value of £21,333,000 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.

11 Stock

	2015 £000	2014 £000
Stock	<u>25</u>	<u>28</u>

12 Current asset investments

	2015 £000	2014 £000
Unlisted investment		
At 1 August	<u>25</u>	<u>25</u>
At 31 July	<u>25</u>	<u>25</u>

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

Notes to the financial statements (*continued*)

12 Current asset investments (continued)

	2015	2014
	£000	£000
Current Asset Investments - Listed securities		
At 1 August	7,005	7,018
Additions	197	215
Disposals	(183)	(185)
Appreciation on disposals/revaluation	(110)	(43)
At 31 July	<u>6,909</u>	<u>7,005</u>

The market value of the above current asset investments is £8,680,957 (2014 - £8,630,506). Court members believe that the carrying value of the investments is supported by their underlying net assets.

13 Endowment assets

	2015	2014
	£000	£000
At 1 August	913	973
Appreciation of endowment asset investments	17 33	6
Endowment income released for year	17 (32)	(66)
At 31 July	<u>914</u>	<u>913</u>
At Market Value:		
Equities (listed)	861	920
Land and Property	<u>0</u>	<u>130</u>
	861	1,050
Balances held by the University	<u>53</u>	<u>(137)</u>
At 31 July	<u>914</u>	<u>913</u>

14 Debtors

	2015	2014
	£000	£000
Trade Debtors	423	522
Debts due from Students	39	35
Prepayments and accrued income	1,073	702
	<u>1,535</u>	<u>1,259</u>

Notes to the financial statements (*continued*)

15 Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Trade Creditors	430	647
Other Creditors	896	540
Social Security and Other Taxation Payable	408	473
Accruals and Deferred Income	4,436	4,987
	<u>6,170</u>	<u>6,647</u>

The comparative figures have been reclassified to ensure consistency of reporting with the current year.

16 Deferred capital grants

	Funding Council	Other Grants	Total
	£000	£000	£000
Balance at 1 August			
Buildings	7,078	8,369	15,447
Equipment	15	0	15
	<u>7,093</u>	<u>8,369</u>	<u>15,462</u>
Cash received year to 31 July			
Buildings	424	0	424
Equipment	16	0	16
	<u>440</u>	<u>0</u>	<u>440</u>
Released to Income and Expenditure Account:			
Buildings	177	255	432
Equipment	6	0	6
	<u>183</u>	<u>255</u>	<u>438</u>
Balance at 31 July			
Buildings	7,325	8,114	15,439
Equipment	25	0	25
	<u>7,350</u>	<u>8,114</u>	<u>15,464</u>

Notes to the financial statements (*continued*)

17 Endowment Funds

	Permanent	Expendable	2015	2014
	£000	£000	£000	£000
Opening Balance at 1 August	568	345	913	973
Appreciation of endowment assets	34	54	88	6
Income for year	20	12	32	66
Expenses for year	(104)	(15)	(119)	(132)
Closing Balance at 31 July	<u>518</u>	<u>396</u>	<u>914</u>	<u>913</u>
Represented by:				
Scholarship funds	24	105	129	77
Prize funds	52	70	122	125
Other funds	442	221	663	711
	<u>518</u>	<u>396</u>	<u>914</u>	<u>913</u>

18 Funds and reserves including Pension Reserve

Income and Expenditure Reserve

	2015	2014
	£000	£000
Opening Balance at 1 August	(1,862)	8,542
Surplus/(Deficit) for the year	119	(404)
Transfer from Capital Revaluation Reserve	107	107
Transfer of Abertay Foundation	171	0
Actuarial gains/(losses) on pension Scheme	11,713	(10,107)
Closing Balance at 31 July	<u>10,248</u>	<u>(1,862)</u>

Revaluation Reserve

	2015	2014
	£000	£000
Opening Balance at 1 August	3,391	3,498
Transfer to income and expenditure reserve	(107)	(107)
Closing Balance at 31 July	<u>3,284</u>	<u>3,391</u>

Notes to the financial statements (continued)**Funds and reserves including Pension Reserve (continued)****Pension Reserve**

	2015	2014
	£000	£000
Opening Balance at 1 August	(22,966)	(12,373)
Current Service Cost	(2,283)	(2,000)
Employer Contributions	1,413	1,442
Unfunded pension payments	32	172
Other Finance Income	(329)	(100)
Settlements and Curtailments	(53)	0
Actuarial gains/(losses)	11,713	(10,107)
	<u>(12,473)</u>	<u>(22,966)</u>

19 Capital commitments

	2015	2014
	£000	£000
Contracted but not provided for	<u>52</u>	<u>825</u>

20 Reconciliation of consolidated surplus to net cash inflow/ (outflow) from operating activities

	Note	2015	2014
		£000	£000
Surplus/(Deficit) for the year		119	(404)
Interest Receivable	5	(39)	(42)
Income from current asset investments	5	(270)	(269)
Depreciation and impairment charges	10	1,758	1,053
Impairment of investments	12	110	43
Improvement of endowments	17	1	64
Appreciation of endowments	18	88	6
Decrease in stock and work in progress	11	3	0
(Increase)/Decrease in debtors	14	(276)	203
(Decrease) in creditors	15	(477)	(1,091)
Increase in provisions		1,220	488
Release of deferred grant	16	(438)	(431)
Gain on disposal of investments		(93)	(50)
Gain on disposal of endowments		0	(4)
Gain on disposal of fixed assets		124	0
		<u>1,830</u>	<u>(434)</u>
Net cash inflow/(outflow) from operating activities		<u>1,830</u>	<u>(434)</u>

Notes to the financial statements (*continued*)

21 Reconciliation of net cash flow to movement in net funds

	2015	2014
	£000	£000
Increase/(Decrease) in cash in year	2,345	(1,359)
Cash used to decrease liquid resources	<u>(250)</u>	<u>(21)</u>
Change in net funds resulting from cash flows	2,095	(1,380)
Other non cash change	<u>150</u>	<u>5</u>
Movement in net funds in the year	2,245	(1,375)
Opening net funds	<u>13,211</u>	<u>14,586</u>
Closing net funds	<u><u>15,456</u></u>	<u><u>13,211</u></u>

22 Analysis of changes in net funds

	At 1		Other	
	August	Cash	non	At 31
	2014	flow	cash	July
	£000	£000	changes	2015
			£000	£000
Cash in hand	6,141	2,252	0	8,393
Term deposits	<u>63</u>	<u>91</u>	<u>0</u>	<u>154</u>
	6,204	2,343	0	8,547
Current Asset Investments	<u>7,005</u>	<u>(251)</u>	<u>155</u>	<u>6,909</u>
	<u><u>13,209</u></u>	<u><u>2,092</u></u>	<u><u>155</u></u>	<u><u>15,456</u></u>

23 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.

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

	2015	2014
	£000	£000
STSS	1,209	1,225
TSF	1,372	1,440
USS	<u>91</u>	<u>61</u>
Total pension cost	<u><u>2,672</u></u>	<u><u>2,726</u></u>

The total pension cost for the University was £2,672,000 (2014 - £2,726,000), this includes £214,000 (2014 - £181,000) of outstanding contributions at the balance sheet date.

The latest actuarial valuation of the STSS received from the Scottish Public Pensions Agency (Formerly the Scottish Office Pensions Agency) was at 31 March 2012. Employer contribution rates are reviewed every 5

Notes to the financial statements (*continued*)

Pension costs (*continued*)

years and following the scheme valuation by the Government Actuary contribution rates from 1 April 2009 were set at 14.9%. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred and they reflect past experience of the scheme. The employers' contribution was 14.9% throughout the year. The employees' contribution varied between 6.4% and 11.2% throughout the year dependent on annual 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.

The last actuarial valuation of the TSF (as at 31 March 2014), was based on assumptions of a nominal 8.5% return on investments, a 1.8% rate of increase in salaries and a 3.4% rate of increase in pensions. The valuation revealed a market value of assets of £1.9bn. It also revealed liabilities of the fund of £2.5bn, indicating a net deficit in funding of £4.8m. Employer contributions have remained at 17% during the course of the year and employee's contributions were variable based on salary. The University in 2013 restated its Financial Statements to account for the TSF under the provisions of FRS 17 as a defined benefit scheme.

Composition of the scheme

The University operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2014 by a qualified actuary. The major assumptions used by the actuary were:

	31/7/15	31/7/14	31/7/13	31/7/12
RPI Increases	3.50%	3.50%	3.40%	2.60%
CPI Increases	2.60%	2.70%	2.60%	1.80%
Salary Increases	4.40%	4.90%	4.80%	4.00%
Pension Increases	2.60%	2.70%	2.60%	1.80%
Discount Rate	3.80%	4.30%	4.70%	3.90%

Mortality

The mortality table used is the standard "S2PA" pensioners table with a 120% multiplier based on the amounts projected to valuation data, making allowance for future improvement factors in line with CMI 2013 projections; with a long term rate of improvement of 1.5%.

The expected lifetime of a participant who is 65 and the expected lifetime (from age 65) of a participant who will be age 65 in 20 years are show in years below based on the above mortality tables.

Age	Males	Females
65	21.2	23.2
65 in 20 years	23.4	25.5

The asset allocation in the scheme was:

	Long term			
	Value 31/7/15 £000	%	Value 31/7/14 £000	%
Equities	37,677	71%	33,371	70%
Gilts	2,908	5%	2,510	5%
Other Bonds	6,419	12%	6,007	13%
Property	6,012	11%	4,665	10%
Cash	687	1%	808	2%
Total Market Value of Assets	<u>53,703</u>	<u>100%</u>	<u>47,361</u>	<u>100%</u>

Notes to the financial statements (*continued*)

Pension costs (*continued*)

FRS 17 combined disclosures

Analysis of amount debited to staff costs:

	2015	2014
	£000	£000
Current Service Cost	<u>2,283</u>	<u>2,000</u>

Analysis of amount debited/ (credited) to other finance income:

	2015	2014
	£000	£000
Current service cost	2,283	2,000
Expected return on scheme assets	(2,703)	(2,608)
Interest on pension scheme liabilities	3,032	2,708
Losses on curtailments and settlements	53	0
Total pension cost	<u>2,665</u>	<u>2,100</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):

	2015	2014
	£000	£000
Actual return less expected return on pension scheme assets	2,647	(721)
Experience gains and losses	9,571	0
Changes in the assumptions underlying the present value of the schemes liabilities	(505)	(9,385)
Actuarial gains/(losses) recognised in STRGL	<u>11,713</u>	<u>(10,106)</u>

Change in actuarial value of scheme liabilities:

	2015	2014
	£000	£000
Actuarial value of scheme liabilities at start of year	70,328	57,027
Service cost	2,283	2,000
Interest	3,032	2,708
Actuarial losses	(7,487)	9,385
Losses on curtailments	53	0
Estimated benefits paid net of transfers in	(2,551)	(1,143)
Contributions by scheme participants	550	523
Unfunded pension payments	(32)	(172)
Actuarial value of scheme liabilities at end of year	<u>66,176</u>	<u>70,328</u>

Notes to the financial statements (continued)

Pension Costs (continued)

Analysis of amount shown in the Balance Sheet:

	2015	2014
	£000	£000
Actuarial value of scheme liabilities	(66,176)	(70,328)
Fair value of assets	53,703	47,362
Defined benefit liability at end of year	<u>(12,473)</u>	<u>(22,966)</u>

Amounts for the Current and Previous Periods

	Year Ended 31 July				
	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Defined benefit obligation	(66,176)	(70,328)	(57,027)	(53,905)	(52,380)
Scheme Assets	53,703	47,361	44,654	35,868	36,354
Deficit	(12,473)	(22,966)	(12,373)	(18,037)	(16,026)
Experience adjustments on Scheme Liabilities	7,992	0	0	5,942	52
Percentage of liabilities	12.1%	0.0%	0.0%	11.0%	0.1%
Experience adjustments on Scheme Assets	4,226	(721)	6,413	(3,349)	2,386
Percentage of Assets	7.9%	-1.5%	14.4%	-9.3%	6.6%
Cumulative Actuarial Gains	(2,769)	(14,482)	(4,376)	(10,681)	(8,951)

Childcare and other student support funds

	Childcare	Discretionary	Total	Total
	Fund	Fund	2015	2014
	£000	£000	£000	£000
Balance brought forward	0	0	0	0
Allocation received in year	223	273	496	554
Expenditure	(223)	(146)	(369)	(553)
Funds Transferred	0	(127)	(127)	(1)
Balance carried forward	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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.

24 Lease obligations

	2015	2014
	£000	£000
Commitments under non-cancellable operating leases expiring - Other:		
Within one year	3	6
Between two and five years	170	145
	<u>173</u>	<u>151</u>

Notes to the financial statements (*continued*)

25 Contingent liabilities

There are no contingent liabilities at 31 July 2015.

26 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.

There is a Students Association at Abertay. This is separate to Abertay University and the University does not exercise control over the Association. The University makes an annual grant to support the Association's activities. Certain costs are recorded in the books of the University and reimbursed by the Association.

Five year summary of key financial statistics (un-audited)

	Year Ended 31 July				
	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Income and Expenditure					
Income					
Funding body grants	20,751	20,914	19,776	18,021	20,676
Tuition fees and education contracts	8,894	9,945	10,733	9,983	10,087
Research grants and contracts	1,099	1,177	1,544	1,017	893
Other income	3,301	4,125	5,037	4,557	4,661
Endowment and investment income	439	392	622	585	736
Total Income	34,484	36,553	37,712	34,162	37,052
Expenditure					
Staff Costs	23,340	23,042	22,450	22,041	22,578
Voluntary Severance costs	0	991	0	0	0
Other operating expenses	9,009	11,771	12,579	8,856	9,463
Depreciation	1,758	1,053	1,439	1,239	1,552
Interest and other finance costs	382	100	642	100	109
Total Expenditure	34,489	36,957	37,109	32,236	33,702
Surplus for the year retained within general reserves	119	(404)	601	1,864	3,346
Balance Sheet					
Tangible Assets	30,598	32,083	31,930	33,046	34,093
Net current assets	10,846	7,849	8,336	8,533	6,370
Total net assets	29,910	17,904	28,891	22,472	36,995
Deferred Capital Grants	15,464	15,462	15,879	16,342	16,907
Endowments	914	913	973	996	1,006
Capital Revaluation Reserve	3,284	3,391	3,498	3,605	3,712
Pension Reserve	(12,473)	(22,966)	(12,372)	(18,037)	0
General Reserve	22,721	21,104	20,914	19,566	15,371
Total Funds	29,910	17,904	28,891	22,472	36,995
Capital Expenditure	454	1,206	324	255	5,034
Liquidity					
Cash and cash equivalent	8,547	6,204	7,568	8,295	6,440
Bank Loans	0	0	0	(1,950)	(2,100)
Net Cash	8,547	6,204	7,568	6,345	4,340



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

t: +44 (0)1382 308000

web: abertay.ac.uk