



INTEGRATED REPORT 2017

Technical Annex
Incorporating
The Financial Statements

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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 & 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 auditor is 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 auditor is aware of that information.

INDEPENDENT AUDITOR’S REPORT TO THE COURT OF THE UNIVERSITY OF ABERTAY DUNDEE (known as ABERTAY UNIVERSITY)

Opinion

We have audited the financial statements of the University of Abertay Dundee for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in reserves, the Balance Sheet, the cash flow statement and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 “The Financial Reporting standard applicable in the UK”.

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the University’s affairs as at 31 July 2017 and of the University’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, including FRS 102 “The Financial Reporting standard applicable in the UK”;
- ▶ have been properly prepared in accordance with 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the University Court’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the University Court has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the University’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the integrated report (comprising Abertay University, University Activities, Governance and Funding, Our Business Model, Our Performance, Corporate Governance Statement) set out on pages 2 to 60 other than the financial statements and our auditor’s report thereon. The University Court is responsible for the other information.

INDEPENDENT AUDITOR’S REPORT TO THE COURT OF THE UNIVERSITY OF ABERTAY DUNDEE (known as ABERTAY UNIVERSITY) (continued)

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Scottish Funding Council’s Financial Memorandum with Higher Education institutions

In our opinion, in all material respects:

- ▶ funds from whatever source administered by the institution for specific purposes have been applied properly 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 Scottish Funding Council have been applied in accordance with the requirements of the SFC Financial Memorandum with Higher Education Institutions.

Matters on which we are required to report by exception

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

- ▶ the information given in the Trustees Report (formed of the integrated report) is inconsistent in any material respect with the financial statements; or
- ▶ proper accounting records have not been kept; or
- ▶ the 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.

Responsibilities of the University Court

As explained more fully in the Responsibility of University Court statement on pages 2-3 the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the University’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the University Court either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

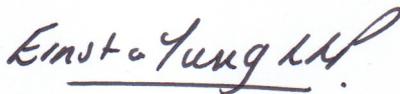
We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

**INDEPENDENT AUDITOR’S REPORT TO THE COURT OF THE
UNIVERSITY OF ABERTAY DUNDEE (known as ABERTAY UNIVERSITY)
(continued)**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

This report is made solely to the University Court of the University of Abertay Dundee, as a body, 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). Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University of Abertay Dundee and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.



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

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

Statement of principal accounting policies

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting in Further and Higher Education 2015* and in accordance with Financial Reporting Standard 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS102. The financial statements are prepared in accordance with the historical cost convention.

The financial statements do not include the income and expenditure of the Students' Union as the University is not in the position to exert control or dominant influence over the Students Union so as to obtain benefit from its activities.

In the 2015/16 financial statements investments were held at the lower of cost and net realisable value. In 2016/17 the University has updated this policy in line with the requirements of FRS 102 to hold investments at fair market value with gains and losses being recognised through the Statement of Comprehensive Income and Expenditure Account. Accordingly an adjustment has been made to the 2015/16 yearend balance to reflect this accounting policy consistently year on year. The impact of retrospectively amending this policy has been to increase opening reserves at 1 August 2015 by £1.8m, increase total comprehensive income for 2015/16 by £380k, and the 31 July 2016 investments balance has increased by £2.2m in total. Note 10 to the financial statements has been adjusted accordingly. In addition management recognised £965k of endowment investments not previously recognised on the Balance Sheet in the 2015/16 comparatives, increasing opening reserves accordingly.

Critical accounting judgements and key sources of estimation uncertainty

In the application of accounting policies, management are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future period.

The following are the key assumptions and estimations that management have made in the process of applying the University's accounting policies and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Pension Liabilities – The key assumptions made in deriving these figures are explained in detail in note 18

Provisions – Yearend provisions are made based on best available information at the time of preparing the financial statements.

Income Recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

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

Investment income is credited to the statement of income and expenditure on a receivable basis.

Grant Funding

Grant funding including funding council block grants, research grants from government sources, grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as the conditions are met.

Statement of principal accounting policies (*continued*)

Donations and Endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and Endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no related conditions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted according to the terms or the restrictions applied to the individual endowment fund.

There are four main types of donations and endowments within reserves:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments – the donor has specified a particular objective other than the purchase of tangible fixed assets and the University has the power to use the capital.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital Grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance conditions being met.

Accounting for retirement benefits

The three principal pension schemes for the University staff are:

- (i) The Scottish Teachers Superannuation Scheme (STSS)
- (ii) The Tayside Local Government Pensions Fund (LGPS) and
- (iii) The Universities Superannuation Scheme (USS)

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on net assets set aside to fund the benefits will differ from expectation) are borne, in substance, by the University. The University should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Pension costs for LGPS are accounted for as a defined benefit plan.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Statement of principal accounting policies (*continued*)

Defined Contribution Plan (*continued*)

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 102, 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.

The University participates in the USS. With effect from 1 April 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed 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. As required by Section 28 of FRS102 "Employee Benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the surplus/deficit represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

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.

Fixed Assets

Last year with the introduction of FRS102, the University followed the transitional arrangements and revalued its Teaching Estate Land and Buildings, Commercial Estate and Assets held for disposal at 31 July 2014, however does not intend to carry out regular revaluations of these assets in the future. The resultant impairment in these assets was charged to the Statement of Comprehensive Income and Expenditure in the year of revaluation.

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are stated at 2014 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.

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.

Statement of principal accounting policies (*continued*)

Fixed Assets (*continued*)

Straight-line depreciation has been provided at the following rates:

General Equipment	20%
Computer Specialist Equipment	33%

Component accounting has been adopted for buildings at the following rates:

Short Term (eg Finishes and Floors)	10 Years
Medium Term (eg Mechanical and Engineering, Cladding)	30 Years
Long Term (eg Sub and Support Structure)	50 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

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

Fixed Asset listed investments are held at fair value with movements recognised in the Surplus or deficit.

Current Asset Investments include Bank term accounts over 95 days, up to 1 year.

Stocks

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on terms less than 95 days and overdrafts.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets

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 an outflow of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Statement of principal accounting policies (*continued*)

Taxation

The University is recognised as charity by HM Revenue and Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The university receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Vat allocated to Fixed Assets is included in their costs.

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

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanent restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Previously a Revaluation Reserve was held by the University in relation to revaluations made on assets prior to the conversion to FRS102 at 1 August 2014. As no further revaluations are due to take place as the university accounts for assets under cost less depreciation method this has now been incorporated into the general Income and Expenditure Reserve.

Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2017

	Note	2017 £000	Restated 2016 £000
Income			
Tuition Fees and education contracts	1	8,558	8,770
Funding body Grants	2	20,617	21,066
Research grants and contracts	3	1,158	909
Other income	4	2,762	3,192
Investment income	5	404	337
Donations and endowments	6	1,172	26
Total Income		<u>34,671</u>	<u>34,300</u>
Expenditure			
Staff Costs	7	23,963	22,518
Other operating expenses		8,102	8,363
Depreciation	9	1,661	1,703
Finance Costs		530	446
Total Expenditure	8	<u>34,256</u>	<u>33,030</u>
Surplus before other gains/losses		<u>415</u>	<u>1,270</u>
Gain/ (Loss) on disposals of fixed assets		0	84
Gain/ (Loss) on disposals of investments		945	394
		<u>945</u>	<u>478</u>
Surplus before Tax/for the year		<u>1,360</u>	<u>1,748</u>
Actuarial Gain/ (Loss) in respect of pension scheme		817	(6,329)
Other comprehensive income		(28)	(18)
		<u>789</u>	<u>(6,347)</u>
Total Comprehensive income for the year		<u>2,149</u>	<u>(4,599)</u>
Represented by:			
Restricted comprehensive income for the year		(41)	(9)
Unrestricted comprehensive income for the year		2,236	(4,597)
Endowment comprehensive income for the year		(46)	7
		<u>2,149</u>	<u>(4,599)</u>

The Statement of Comprehensive Income and Expenditure is in respect of continuing activities.

Statement of changes in reserves

	Income and Expenditure Account			Tot
	Endowment	Restricted	Unrestricted	
Balance at 1 August 2015	914	159	24,165	25,228
Surplus/(deficit) from the income and expenditure statement	0	(2)	1,370	1,366
Other comprehensive income	51	(7)	(6,347)	(6,303)
Balance at 1 August 2016 (As previous Report)	<u>965</u>	<u>150</u>	<u>19,188</u>	<u>20,303</u>
Restatement	0	0	3,118	3,118
Balance at 1 August 2016 (Restated)	<u>965</u>	<u>150</u>	<u>22,306</u>	<u>23,421</u>
Surplus/(deficit) from the income and expenditure statement	(46)	0	1,406	1,360
Other comprehensive income	0	(42)	831	789
Total Comprehensive Income for the year	<u>(46)</u>	<u>(42)</u>	<u>2,237</u>	<u>2,149</u>
Balance at 31 July 2017	<u>919</u>	<u>108</u>	<u>24,543</u>	<u>25,570</u>

Balance sheet
as at 31 July 2017

	Note	2017	Restated
		£000	2016
			£000
Non-Current Assets			
Fixed Assets	9	29,899	27,127
Listed Investments	10	<u>9,728</u>	<u>10,194</u>
		39,627	37,321
Current assets			
Stock		30	28
Current Asset Investments		6,001	6,021
Trade and Other Receivables	11	1,648	1,470
Cash and Cash Equivalents		<u>4,658</u>	<u>4,762</u>
		12,337	12,281
Less: Trade and Other Payables: amounts falling due within one year	12	<u>(5,264)</u>	<u>(5,985)</u>
Net Current Assets		7,073	6,296
		<u>46,700</u>	<u>43,617</u>
Total Assets less current liabilities			
		46,700	43,617
Provisions			
Pension Provisions	13	(20,930)	(19,996)
Other Provisions		<u>(200)</u>	<u>(200)</u>
		<u>(21,130)</u>	<u>(20,196)</u>
		<u>25,570</u>	<u>23,421</u>
Total Net Assets			
		<u>25,570</u>	<u>23,421</u>
Restricted Reserves			
Endowment Reserve	14	919	965
Restricted Reserve	15	108	150
Unrestricted Reserves			
Income and Expenditure Reserve		24,543	22,306
		<u>25,570</u>	<u>23,421</u>
Total Funds			
		<u>25,570</u>	<u>23,421</u>

These financial statements on pages 12 to 27 were approved by Court on 18 October 2017 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 2017

	Note	2017 £000	2016 £000
Cashflow from operating activities			
Surplus for the year		1,360	1,748
Other Comprehensive Income		789	(6,347)
		<u>2,149</u>	<u>(4,599)</u>
Adjustment for non-cash items			
Depreciation		1,661	1,703
(Increase) in stock		(2)	(3)
(Increase)/Decrease in debtors	11	(178)	65
(Decrease) in creditors	12	(721)	(983)
Gain on disposal of investments		537	92
Increase in pension provision	13	934	7,361
Increase in other provision		0	200
Adjustment for investing or financing activities			
Investment Income	5	(235)	(265)
Donation/ Endowment Income	12	(1,125)	(26)
Gain on disposal of fixed assets		0	(84)
Interest Income		(59)	(72)
Net cash inflow from operating activities		<u>2,961</u>	<u>3,389</u>
Cash flows from investing activities			
Current and non-current investment income		235	265
Donation/ Endowment income		1,233	85
Endowment expenditure	14	(107)	(8)
Restricted donations		0	24
Restricted reserves expenditure		0	(33)
Payments made to acquire fixed assets		(5,433)	(1,460)
Proceeds from sale of fixed assets		1,000	513
Non-current investment disposals/ (additions)		20	(1,554)
Income from disposal of current asset investments		9,859	1,296
Current asset investment additions		(9,931)	(1,374)
Cash (outflow) from returns on investments and servicing of finance		(3,124)	(2,246)
Cash flows from financing activities			
Interest Income		59	72
Cash outflow from capital expenditure and financial investments		<u>59</u>	<u>72</u>
(Decrease)/ Increase in cash and cash equivalents in the year		<u>(104)</u>	<u>1,215</u>
Cash and cash equivalents at beginning of the year		4,762	3,547
Cash and cash equivalents at end of the year		<u>4,658</u>	<u>4,762</u>
(Decrease)/ Increase in cash and cash equivalents in the year		<u>(104)</u>	<u>1,215</u>

Notes to the financial statements

1 Tuition Fees and Education Contracts

	2017	2016
	£000	£000
Scottish and EU student fees	6,422	6,493
RUK student fees	1,061	1,284
Non EU student fees	966	965
Other fees	109	28
	<u>8,558</u>	<u>8,770</u>
Total Income	<u>8,558</u>	<u>8,770</u>
Supplementary Split		
Full Time Home and EU Students	7,140	7,453
Full Time International Students	960	949
Part Time Students	458	368
	<u>8,558</u>	<u>8,770</u>

2 Funding Body Grants

	2017	2016
	£000	£000
SFC Recurrent Grants		
Teaching Grant	16,488	16,810
Research Grant	1,205	1,030
Regional Coherence	859	859
	<u>18,552</u>	<u>18,699</u>
SFC Specific Grants		
Dundee Academy of Sport	585	984
Capital Maintenance	930	439
Articulation	61	358
Other	489	586
	<u>2,065</u>	<u>2,367</u>
	<u>20,617</u>	<u>21,066</u>
Total Income	<u>20,617</u>	<u>21,066</u>

Notes to the financial statements (*continued*)

3 Research grants and contracts

	2017	2016
	£000	£000
Research Councils	210	288
UK Charities	265	202
UK Government	328	319
UK Industry	40	1
EU	137	(44)
Other	178	143
Total Income	<u>1,158</u>	<u>909</u>

4 Other income

	2017	2016
	£000	£000
Commercial Income	1,697	1,887
Other Income	1,065	1,305
Total Income	<u>2,762</u>	<u>3,192</u>

5 Investment income

	2017	2016
	£000	£000
Other interest receivable	59	72
Income from current asset investments	235	265
Income from endowment asset investments	110	0
Total Income	<u>404</u>	<u>337</u>

6 Donations and Endowments

	2017	2016
	£000	£000
Donations with restrictions	47	31
Unrestricted donations	1,125	(5)
Total Income	<u>1,172</u>	<u>26</u>

In 2017 we received the first tranche (£1.1m) of a significant personal bequest.

Notes to the financial statements (*continued*)

7 Staff costs

	2017	2016
	£000	£000
Staff Costs		
Wages and salaries	17,432	17,198
Severance Costs	726	622
Social security costs	1,777	1,456
Employer Contribution - Pension Costs	2,816	2,699
Pension service costs	<u>1,212</u>	<u>543</u>
	<u>23,963</u>	<u>22,518</u>
Emoluments of the Principal:		
Salary	183	175
Employer's contribution to pension	<u>33</u>	<u>29</u>
	<u>216</u>	<u>204</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 higher paid staff:

	2017	2016
	Number	Number
£70,001 - £80,000	14	13
£80,001 - £90,000	2	2
£120,001 - £130,000	1	2
£130,001 - £140,000	1	0

During the year ended 31 July 2016 and 2017 compensation arrangements applied to no senior members of staff earning in excess of £70,000.

Average staff numbers by major category, expressed as FTE :

	2017	2016
	Number	Number
Academic Staff	196	186
Support Staff	<u>268</u>	<u>285</u>
	<u>464</u>	<u>471</u>

Academic Staff include Teaching Fellows, Lecturers, Professors and Researchers. Support Staff include Senior Managers including Heads of Schools. There are a small number of non-salaried staff who are excluded from the above summary.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Key Management Personnel are considered to be the executive Group, made up of Principal and Vice Chancellor, University Secretary, and Vice Principals. Staff costs consist of salary and benefits excluding any employer's pension contributions.

	2017	2016
	£000	£000
Key management personnel compensation	<u>522</u>	<u>507</u>

Notes to the financial statements (*continued*)

8 Analysis of total expenditure by activity

	2017	Restated
	£000	2016
	£000	£000
Academic Departments	11,817	11,567
Academic Services	4,317	3,988
Research grants and contracts	1,151	916
Commercial Costs	1,977	2,414
Premises	3,517	3,617
Administration	8,213	7,247
Pension Service Cost	1,212	543
Other	2,052	2,738
	<u>34,256</u>	<u>33,030</u>

Other operating costs include:

External Auditors remuneration in respect of audit services £47,000 (2016 - £47,000)

Internal Auditors remuneration in respect of audit services £33,000 (2016 £32,000)

9 Tangible assets

	Freehold Land and Buildings £000	Assets in the Course of Construction	General Equipment £000	Computer Specialist Equipment £000	Total £000
Cost					
At 1 August	41,429	370	2,063	2,966	46,828
Additions	4	5,245	78	106	5,433
Transfers	3,875	(4,449)	408	166	0
Disposals	(1,670)	0	(71)	(389)	(2,130)
At 31 July	<u>43,638</u>	<u>1,166</u>	<u>2,478</u>	<u>2,849</u>	<u>50,131</u>
<i>Valuation 1994</i>	<i>16,104</i>		<i>0</i>	<i>0</i>	<i>16,104</i>
Accumulated Depreciation					
At 1 August	(15,519)	0	(1,864)	(2,318)	(19,701)
Additions	(1,144)	0	(107)	(410)	(1,661)
Eliminated in respect of disposals	719	0	71	340	1,130
At 31 July	<u>(15,944)</u>	<u>0</u>	<u>(1,900)</u>	<u>(2,388)</u>	<u>(20,232)</u>
Net Book Value					
At 31 July 2017	<u>27,694</u>	<u>1,166</u>	<u>578</u>	<u>461</u>	<u>29,899</u>
At 31 July 2016	<u>25,910</u>	<u>370</u>	<u>199</u>	<u>648</u>	<u>27,127</u>

Should any land and buildings financed by the Exchequer be sold, the University may be liable under the terms of the Financial Memorandum with the Scottish Funding Council, to repay the proceeds.

Notes to the financial statements (*continued*)

10 Non-Current investments

	Unlisted Investment £000	Listed Investment £000	2017 £000	2016 £000
At 1 August (Restated)	25	10,169	10,194	9,619
Additions	0	14,525	14,525	1,426
Disposals	0	(14,855)	(14,855)	(1,283)
Appreciation on disposals/reevaluation	0	(136)	(136)	432
At 31 July	<u>25</u>	<u>9,703</u>	<u>9,728</u>	<u>10,194</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.

11 Trade and Other Receivables

	2017 £000	2016 £000
Trade Debtors	230	167
Other Receivables	22	56
Prepayments and accrued income	1,396	1,247
	<u>1,648</u>	<u>1,470</u>

12 Trade and Other Payables: amounts falling due within one year

	2017 £000	2016 £000
Trade Payables	120	188
Other Payables	899	594
Accruals and Deferred Income	4,245	5,203
	<u>5,264</u>	<u>5,985</u>

Deferred Income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	2017 £000	2016 £000
Research Grants received on account	1,128	829
Grant Income	327	801
Other Income	260	817
	<u>1,715</u>	<u>2,447</u>

Notes to the financial statements (*continued*)

13 Pension Provision

	USS Pension £000	LGPS Pension £000	2017 £000	2016 £000
At 1 August	204	19,792	19,996	12,635
Additions in year	9	925	934	7,361
At 31 July	<u>213</u>	<u>20,717</u>	<u>20,930</u>	<u>19,996</u>

USS Deficit – The obligation to fund the past University’s Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision.

LGPS Deficit – Full detail of the pension provision movement is provided in note 18.

14 Endowment Reserves

	Permanent £000	Expendable £000	2017 £000	2016 £000
Balance at 1 August - Capital	<u>435</u>	<u>530</u>	<u>965</u>	<u>914</u>
New Endowments	52	(101)	(49)	(6)
Investment Income	13	97	110	65
Expenditure	(104)	(3)	(107)	(8)
Total endowment comprehensive income for the year	<u>(39)</u>	<u>(7)</u>	<u>(46)</u>	<u>51</u>
Balance at 31 July - Capital	<u>396</u>	<u>523</u>	<u>919</u>	<u>965</u>
Analysis by type of purpose				
Scholarship funds	27	97	124	136
Prize funds	34	95	129	99
Other funds	335	331	666	730
	<u>396</u>	<u>523</u>	<u>919</u>	<u>965</u>
Analysis by asset				
Listed Investments	0	0	0	965
Cash and Cash Equivalents	396	523	919	0
	<u>396</u>	<u>523</u>	<u>919</u>	<u>965</u>

Notes to the financial statements (*continued*)

15 Restricted Reserves

Reserves with restrictions are as follows:

	2017	2016
	£000	£000
Donations		
Balance at 1 August	150	159
New donations	0	24
Expenditure	(42)	(33)
Total Restricted comprehensive income for the year	<u>(42)</u>	<u>(9)</u>
Balance at 31 July	<u><u>108</u></u>	<u><u>150</u></u>
Analysis of donations by type of purpose		
Scholarships and bursaries	(17)	5
Research Support	61	64
Prize Funds	23	23
General	41	58
	<u><u>108</u></u>	<u><u>150</u></u>

16 Capital Commitments

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

	2017	2016
	£000	£000
Commitments contracted for	<u><u>1,851</u></u>	<u><u>2,903</u></u>

17 Lease Obligations

Total rentals payable under operating leases :

	2017	2016
	£000	£000
Commitments under non-cancellable operating leases expiring - Other:		
Within one year	22	13
Between two and five years	163	160
	<u><u>185</u></u>	<u><u>173</u></u>

Notes to the financial statements (*continued*)

18 Pension costs

The three principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme (STSS), the Local Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS). The 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:

	2017	2016
	£000	£000
STSS	1,401	1,311
TSF	1,273	1,271
USS	<u>142</u>	<u>117</u>
Total pension cost	<u>2,816</u>	<u>2,699</u>

The total pension cost for the University was £2,816,000 (2016 - £2,699,000), this includes £0 (2016 - £0) of outstanding contributions at the balance sheet date.

Scottish Teachers Superannuation Scheme (STSS)

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 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 102 the above scheme is accounted for as if it were a defined contribution scheme.

Local Government Pension Scheme (LGPS)

The last actuarial valuation of the LGPS (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 and also revealed liabilities of the fund of £2.5bn. 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 LGPS under the provisions of FRS 102 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 financial assumptions used to calculate the results are as follows:

	2017	2016	2015
	% pa	% pa	% pa
Discount rate	2.7	2.6	3.8
Pension increases	2.7	2.2	2.6
Salary increases	3.7	3.2	4.4
Retail Prices Index	3.6	3.1	3.5
Consumer Prices Index	2.7	2.2	2.6

Notes to the financial statements (*continued*)

Pension costs (*continued*)

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	21.5	23.5
65 in 20 years	23.7	25.8

The estimated asset allocation in the scheme was:

	31 July 2017		31 July 2016		31 July 2015	
	£000	%	£000	%	£000	%
Equities	49,012	71.3	41,061	69.1	37,676	70.2
Gilts	4,611	6.7	3,136	5.3	2,908	5.4
Other bonds	7,321	10.6	7,730	13.0	6,419	12.0
Property	6,962	10.1	6,830	11.5	6,012	11.2
Cash	863	1.3	673	1.1	687	1.2
Total	<u>68,769</u>	<u>100.0</u>	<u>59,430</u>	<u>100.0</u>	<u>53,702</u>	<u>100.0</u>

FRS 102 combined disclosures

Analysis of amount debited to the Statement of Comprehensive Income and Expenditure:

	2017	2016
	£000	£000
Service Cost	2,699	2,107
Net interest on the defined liability/(asset)	499	446
Administration expenses	31	30
Total pension cost	<u>3,229</u>	<u>2,583</u>

Analysis of amount shown in the Balance Sheet:

	2017	2016
	£000	£000
Present Value of the defined benefit obligation	(89,082)	(78,821)
Fair value of Fund Assets (bid value)	68,769	59,430
Present value of unfunded obligation	(404)	(401)
Defined benefit liability at end of year	<u>(20,717)</u>	<u>(19,792)</u>

Notes to the financial statements (*continued*)

Pension costs (*continued*)

Change in actuarial value of scheme liabilities:

	2017	2016
	£000	£000
Opening defined benefit obligation	79,222	66,176
Current Service cost	2,447	1,943
Interest Cost	2,047	2,492
Change in financial assumptions	6,811	9,755
Experience loss/(gain) on defined benefit obligation	10	2
Estimated benefits paid net of transfers in	(1,762)	(1,768)
Past service costs, including curtailments	252	164
Contributions by Scheme participants and other employers	490	489
Unfunded pension payments	(31)	(31)
	<u>89,486</u>	<u>79,222</u>

Reconciliation of opening & closing balances of fair values of Fund assets:

	2017	2016
	£000	£000
Opening fair value of Fund assets	59,430	53,702
Interest on assets	1,548	2,046
Return on assets less interest	7,638	3,428
Administration expenses	(31)	(30)
Contributions by employer including unfunded	1,487	1,594
Contributions by Scheme participants and other employers	490	489
Estimated benefits paid plus unfunded net of transfers in	(1,793)	(1,799)
Settlement prices received/ (paid)	0	0
	<u>68,769</u>	<u>59,430</u>

Re-measurements in Other comprehensive Income:

	2017	2016
	£000	£000
Return on Fund assets in excess of interest	7,638	3,428
Change in financial assumptions	(6,811)	(9,755)
Experience gain/(loss) on defined benefit obligation	(10)	(2)
	<u>817</u>	<u>(6,329)</u>

Notes to the financial statements (*continued*)

Pension costs (*continued*)

Sensitivity Analysis:

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	87,706	89,486	91,303
Projected service cost	2,675	2,739	2,804
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	89,733	89,486	89,240
Projected service cost	2,740	2,739	2,738
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	91,054	89,486	87,950
Projected service cost	2,803	2,739	2,677
Adjustment to life expectancy	+1 year	None	-1 year
Present value of total obligation	92,711	89,486	89,376
Projected service cost	2,826	2,739	2,654

Universities Superannuation Scheme (USS)

The latest available full actuarial valuation of the USS scheme was at 31 March 2014 (“the valuation date”), which was carried out using the projected unit method. The valuation at 31 March 2017 is underway. Since the University cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme’s technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	2016
Discount Rate	2.6%	3.6%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.4%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation’s (CMI) S1NA tables as follows:

Male members’ mortality 98% of S1NA [“light”] YoB tables – No age rating
Female members’ mortality 99% of S1NA [“light”] YoB tables – rated down 1 year

Notes to the financial statements (*continued*)

Pension costs (*continued*)

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8
	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

19 Contingent liabilities

There are no contingent liabilities at 31 July 2017.

20 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 in line with the University's standard terms and conditions.

During the year the University Secretary served on the board of APUC, with whom the University purchased goods to the value of £107k (2016 £0) and the Principal & Vice Chancellor served on the board of JISC collections, with whom the University purchased goods to the value of £108k (2016 £86k).

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.

21 Administrative Details

The University of Abertay Dundee, known as Abertay University is a charity registered in Scotland, No SC016040. The registered office is at Bell Street, Dundee, DD1 1HG.

