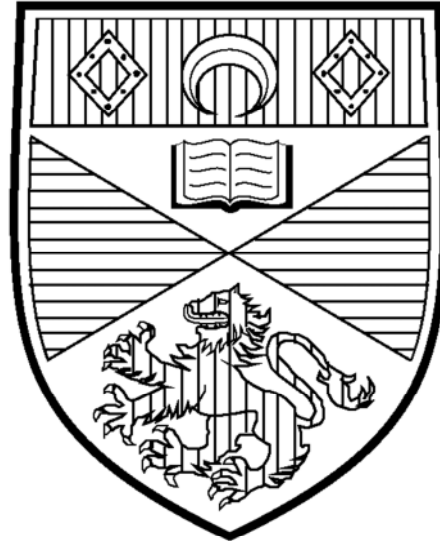


*Reports and Financial Statements
of the University Court
for the year to 31 July 2012*



University
of
St Andrews

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

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MEMBERSHIP OF COURT AND COMMITTEES

The Rector, President

Mr K. Dunion (until 27 October 2011)

Mr A. Moffat (from 28 October 2011)

Senior Governor, Vice-President

Mr E. Brown

The Principal

Professor L. Richardson

Deputy Principal

Professor C. Hawkesworth

The Chancellor's Assessor

Dr D. Erdal

The Rector's Assessor

Ms A. Litherland (until 27 October 2011)

Ms K. Andrews (from 28 October 2011 to 30 June 2012)

Ms C. Hill (from 1 September 2012)

Fife Council, Provost of Fife's Assessor

Cllr P. Grant (until 6 May 2012)

Nominee to be confirmed

Assessors of the General Council

Mr E. Brown

Miss K.M. Patrick (until 31 July 2012)

Mr N. Christie (from 1 August 2012)

Assessors of the Senatus Academicus

Dr N. Adamson

Professor F. Andrews (from 1 August 2012)

Professor R. Crawford (until 31 July 2012)

Professor A. Mackenzie

Dr S. Whiten

Non-Teaching Staff Member

Dr A. Sandeman

Student Representatives

Mr P. O'Hare, *President of the Students' Association* (from 1 July 2011 to 30 June 2012)

Mr F. fforde, *President of the Students' Association* (from 1 July 2012)

Mr S. Fowles, *Director of Representation* (from 1 July 2011 to 30 June 2012)

Ms A. Litherland, *Director of Representation* (from 1 July 2012)

Non-Executive Members

Sir A. Bagnall

Dr N.M. Bryson

Mr P.P. Cabrelli (until 31 July 2012)

Sir J. Elvidge (from 14 November 2011)

Mr M. Jones

Rev Dr M. MacLean

Mr N. Morecroft (from 24 August 2012)

Dr M. Popple

Dame A. Pringle (from 15 March 2012)

Secretary of the Court

Professor R.A. Piper

MEMBERSHIP OF COURT AND COMMITTEES

Members

Status

AUDIT & RISK COMMITTEE

Dr N.M. Bryson (Convener, until 31 July 2012)	Non-executive member
Dr M. Popple (Convener, from 1 August 2012)	Non-executive member
Mr P.P. Cabrelli (until 31 July 2012)	Non-executive member
Sir A. Bagnall (from 4 November 2011)	Non-executive member
Rev Dr M. MacLean (from 1 October 2012)	Non-executive member
Miss K.M. Patrick	Non-executive member
Mr N. Christie (from 1 August 2012)	Non-executive member
Dr D. Douglas (from 1 October 2012)	Court nominee
Mr W.J. Sutherland	Court nominee
Director of Representation, Students' Association (until 30 June 2012 - currently under review)	ex officio

Secretary: Executive Officer to Court

GOVERNANCE & NOMINATIONS COMMITTEE

Sir B. Ivory (Convener)	External convener
Senior Governor	ex officio
The Principal	ex officio
President of the Students' Association	ex officio
Miss K.M. Patrick (until 31 July 2012)	Non-executive member
Sir A. Bagnall (from 2 May 2012)	Non-executive member
Dr A. Sandeman	Member of Court
Dr N. Adamson	Member of Court

Secretary: Executive Officer to Court

MEMBERSHIP OF COURT AND COMMITTEES

Members

Status

PLANNING & RESOURCES COMMITTEE

The Senior Governor (Convener)	ex officio
The Principal	ex officio
The Deputy Principal	ex officio
The Quaestor & Factor	ex officio
President of the Students' Association	ex officio
Mr M. Jones	Non-executive member
Rev Dr M. MacLean (until 31 July 2012)	Non-executive member
Dr D. Erdal (until 31 July 2012)	Non-executive member
Dame A. Pringle (from 1 August 2012)	Non-executive member
Sir J. Elvidge (from 1 August 2012)	Non-executive member
Professor F. Andrews (from 1 August 2012)	Member of Court
Professor R. Crawford (until 31 July 2012)	Member of Court
Professor A. Mackenzie	Member of Court
<i>Secretary: Executive Officer to Court</i>	

REMUNERATION & HUMAN RESOURCES COMMITTEE

Senior Governor (Convener)	<i>ex officio</i>
The Principal ¹	<i>ex officio</i>
Sir A. Bagnall	Non-executive member
Dr N.M. Bryson	Non-executive member
Mr P.P. Cabrelli (until 31 July 2012)	Non-executive member
Vacancy (from 1 August 2012)	Non-executive member
<i>Secretary: Director of Human Resources</i>	

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

REPORT OF THE UNIVERSITY COURT

History

Founded in 1413, the University of St Andrews (the “University”) is Scotland’s oldest university and the third oldest in the English-speaking world. Over six centuries it has established a reputation as one of Europe’s leading and most distinctive centres for teaching and research.

Study and research is grouped into four faculties which are made up of broadly related Schools and Research Institutes. The faculties are:

- Faculty of Arts;
- Faculty of Science;
- Faculty of Medicine;
- Faculty of Divinity.

Located in the small town of St Andrews, the University educates around 6,100 undergraduate students and 1,650 postgraduate students. The University attracts students from more than 100 countries, as well as academics from around the globe. In addition, as a venue for international conferences and a hub of cultural interest, the University is also a major contributor to the cultural and commercial life of the country.

Preparation of the financial statements

The financial statements for the year to 31 July 2012 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and the Scottish Funding Council’s (SFC) Accounts Direction. As noted in the statement of principal accounting policies on page 23 the financial statements have been prepared on a historical cost basis as modified by the revaluation of listed and endowment assets.

Results for the year

Total income increased by 3.4% to £170.2 million and the surplus for the year was £2.9 million (£5.6 million in 2010/11). The main reason for the reduction in surplus was the reduced funding received from the SFC in 2011/12. The surplus from operations, excluding losses on disposal of fixed assets decreased from £5.2 million to £2.4 million and represented around 1.4% of total income. This overall outcome was better than originally planned and was achieved against a backdrop of continuing economic uncertainty and inflationary pressures.

Grants received from the SFC were £40.1 million, representing 23.6% of total income which is down from 25.6% in the previous year and 26.1% in 2009/10. This fall in the proportion of overall income reflects the growth in the University’s income from other sources and the cut in SFC funding in 2011/12.

Tuition fee and educational contract income increased by 9.7% to £57.3 million; reflecting growth in overseas undergraduates to compensate for the restricted levels of undergraduate numbers funded by the SFC. Whilst St Andrews continues to be very successful in attracting high quality overseas students, universities across the UK see the overseas markets as a source of growth to help counteract the squeeze on UK public sector funding and competition to attract these students is increasing. The University’s strategy is to ensure it stays at the forefront of the overseas market, maintaining its excellent standards and reputation in order to continue to attract the best students from across the world.

REPORT OF THE UNIVERSITY COURT

Results for the year (cont'd)

Income from research grants increased by 2.4% to £37.3 million with the level of grants awarded during the year increasing by £1.7 million from £37.9 million to £39.6 million. Research grant applications increased by £39.8 million to £174.6 million during the year - an encouraging recovery against the decrease in the previous year. Applications were sent to a more diverse range of sponsors with the overall proportion of applications sent to Research Councils reducing from 54% in 2010/11 to 46% in 2011/12 and large increases in applications to UK Government bodies, the EU and other overseas sponsors. The University has made a considerable investment in research facilities, whilst recruiting high quality research driven staff. This combination should ensure that St Andrews can build on its current research base and maintain its position as one of the leading research-led institutions within the UK. Whilst the University's research strengths continue to focus mainly on pure research, there is an increased focus on maximising the use of this research to generate future applied research and knowledge transfer. This approach will contribute to the long term success of the University as well as the economy.

Other income increased by 5.0% to £33.7 million. The main elements of this rise in income have come from a rise in unrestricted gifts, summer conference income and income from commercialisation of research.

Endowment income, which is used largely to support widening access through the funding of student scholarships increased by 8.8% to £1.8 million reflecting improved returns on investment although interest rates on cash deposits remained very low.

Pay costs continue to be the largest area of expenditure, accounting for £96.3 million, equivalent to 56.6% of total income and £3.6 million more than the previous year. Procedures are being established to ensure resource requests are tied to specific output measures and an efficiency plan is being developed that is specifically tied to improve partnership-working across the University. Pay scales, and pay negotiations, are determined at a UK level, with the University's ability to exert influence being very limited. Looking forward, any softening in the pay constraint currently being applied across the public sector will severely impact on the ability of the University to make positive investments in academic resource and further enhance the student experience.

Other operating expenses increased by 8.6% to £56.0 million. There were higher costs relating to repairs and maintenance, bursaries and scholarships, utilities and carbon permit expenditure. Expenditure also increased across the University's wholly owned subsidiaries, although some additional income was achieved to partially offset these costs. Despite energy consumption stabilising; costs increased by around 11% due to price inflation. The University will continue to pursue its plans for a windfarm at Kenly, and to maximise the potential for renewable and sustainable energy using the former papermill site in Guardbridge. Both of these schemes are important for the University to tackle its ever increasing utility bill and to take a significant step towards achieving a carbon neutral footprint.

The University has a high but unquantified financial exposure relating to the UK-wide Universities Superannuation Scheme (USS). The latest USS triennial valuation showed a deficit of £2.9 billion. Over the past year, changes in benefits, contribution rates and scheme structure have been implemented in an attempt to reduce this deficit and there is a heightened risk that further contributions may be required. Because of the constitution of the USS scheme, St Andrews, along with all other universities in the Scheme, is not able to show its share of the deficit in its financial statements.

REPORT OF THE UNIVERSITY COURT

Results for the year (cont'd)

During the year the consolidated balance sheet totals decreased by £5.2 million to £129.0 million. This was principally due to a £10.8 million adverse movement in the FRS17 pension deficit of the University's local pension scheme. Within this scheme, there was an increase in the asset values of £0.1 million, but an increase in liabilities of £10.9 million, driven by a reduction in the discount rate from 5.4% last year to 4.1% in the current year. There was lower growth in tangible fixed assets, compared to prior years, as a number of major new buildings were completed in 2010/11 with a more restrained long term capital investment plan being implemented during 2011/12. Cash management was improved with cash balances increasing to £16.3 million compared with the prior year end balance of £6.9 million. Endowment assets grew by around £3.4 million (9.5%) to £39.1 million.

Key Performance Indicators

The University measures its performance relative to a set of Key Performance Indicators (KPIs). The University Court initially approved a range of KPIs during 2008 and there have been subsequent refinements to ensure they are useful and meaningful to both Court and management in highlighting the key elements of successful University performance, the factors which drive such performance and the areas where management action is required. The indicators which address Research and Knowledge Transfer, Learning and Teaching, Student Experience, Staff, Organisational Efficiency, Estate and Financial Health are proving a useful Governance tool.

Research and Knowledge Transfer – Preparations are well underway for the Research Excellence Framework (REF), gathering information on research outputs, environment data and impact case studies with an effective date in October 2013. The Research@StAndrews Portal showcases the University's excellent research, recording and tracking information relating to the University's Research Centres, individuals' research profiles and research publications. The increased number and value of research awards received during the year, up 4.4% by value, is a positive sign for future research activity.

Learning and Teaching – The University continues to see an increase in the quality of its student entrants with a rise in the levels of UCAS tariff points and SAT combined scores both of which achieved levels above target. The University continued to attract 11 applications for each Home/EU funded place and record numbers of applicants from around the globe thus providing external validation of the standing of the learning and teaching opportunities that are offered. Steady growth in demand has been evident for Post Graduate Taught programmes from the home as well as overseas markets as competition for graduate jobs is increasing and an increasing number of university graduates seek the higher masters level qualifications required to meet the needs of employers.

Student Experience – The University believes that an excellent student experience is critically important for its continued success. In the 2011 National Student Survey (NSS) St Andrews was top in Scotland and joint second place in the UK with Oxford for mainstream institutions with a score of 93% for overall satisfaction with the quality of their course. This is the seventh year in succession St Andrews has featured at the top of the NSS demonstrating our deep rooted commitment to academic excellence and meeting student expectations of a world class academic experience. Through its 600th Anniversary campaign and the introduction of new-entrant bursaries, available to all English, Welsh and Northern Irish domiciled students with lower household incomes, established for the new academic year 2012/13, the University continues to grow the amount of resources available for scholarship funding to further improve access opportunities for able students.

REPORT OF THE UNIVERSITY COURT

Key Performance Indicators (cont'd)

Staff – The University is on track in terms of achieving its target of reducing annual staff costs which it has decreased to 56.6 % of total University income, comfortably below the ceiling of 59% of income, as stated in the University's financial strategy. A new target of between 57% and 53% has now been agreed by Court as part of a revised Financial Strategy for 2012/13 onwards. The University has a ratio of academic staff FTEs to support staff FTEs of 1.29:1, up from 1.22:1 last year in line with the aim to increase this ratio year on year.

Organisational Efficiency – The University strives to make efficient use of the resources available to it. This need for efficiency is even more keenly felt in financially difficult times. During the year, the University consolidated many of the productivity gains of the previous year and is working to deliver increased efficiency in the year ahead in order to maintain the quality of services provided. To meet this aim, specific projects are being established, initially across Service Units, to drive forward efficiency and effectiveness plans, with a view to releasing funds for further targeted investment across the University.

Estate – The University is continuing to upgrade its infrastructure to meet the additional demands of a larger student body. The University's Estate Strategy aims to bring its entire physical infrastructure to, and maintain it at, a level required to support its services. In the period since 2006 the cost of the University's outstanding backlog maintenance has been reduced from £58.0 million to around £32.1 million. The University aims to continue to reduce this backlog but recognises that the rate of improvement will be affected by the level of funds generated by its operations. Whilst the Estate continues to expand, energy consumption of electricity and gas per m² remains steady. The University's long term commitment to reduce utility costs and meet environmental sustainability targets continues to be a high priority with the ambitious target of achieving a 3% annual reduction in energy consumption per m².

This year has seen the second part of a 2 phase £7 million investment in the Library, ensuring that it remained operational throughout the main semesters and minimised inconvenience to students and staff. Phase 1 (75% of the total work by value) was completed in September 2011 and involved partial work to level 1 and a complete redesign of level 2, including the replacement of plant across the building. Phase 2 has been undertaken over the summer of 2012 and involves lesser works to levels 3 and 4 as well as the exterior of the building.

The University opened its new Biomedical Sciences Research Complex during the year. This major capital project involved the refurbishment of two former Purdie Building Chemistry teaching laboratories and the construction of a state of the art annex designed to promote pioneering activity at the discipline interfaces of Chemistry, Biology, Physics and Medicine.

The University plans to make a transformative investment in the Students' Association building. A £12 million redevelopment will provide a full renovation, increased space, an aesthetic overhaul, and facilities capable of meeting the needs of a 21st-century student body. The plans envisage the creation of new and improved student venues within the building's current footprint, including provision for theatre and acoustic music, modern central headquarters for student societies and committees and a state-of-the-art multimedia suite.

REPORT OF THE UNIVERSITY COURT

Key Performance Indicators (cont'd)

Financial Health – The University's Financial Strategy sets out basic financial goals, covering efficiency, liquidity, borrowing levels and surplus generation. They are designed to ensure that the University remains financially stable and sustainable in its liquidity and in the generation of sufficient funds to support new infrastructure and on-going maintenance. The University is committed to a programme of fund-raising from alumni, other individuals, trusts and companies. An operational surplus equivalent to 1.4% of turnover was achieved which is down from 3.2% last year, although above that initially budgeted, with this adverse movement predominantly due to funding cuts applied across the University sector during 2011/12 by the SFC. The target for the University remains at 5% of total income in order to sustain the level of on-going investment required in the longer term, although it is recognised this is a difficult target to meet in the current financial climate. However, despite a fall in the actual level of surplus for the University, although still greater than originally planned, the year has seen positive improvements in the financial health of the University, with a substantial increase in its cash balance, along with a reduction in its net current liability position.

Achievements of the year

The University continues to achieve major successes in published league tables, maintaining its position as being recognised among the top five in the UK, the top University in Scotland and was placed 85th and 97th in the 2011/12 Times Higher Education World University Rankings and the QS World Rankings respectively. In addition, the University was ranked 71st in the Leiden Ranking 2012, which assesses the quality and importance of scientific research at 500 of the world's top universities. Much of this is due to the enormous commitment of staff throughout the University to achieve excellence in a highly competitive market.

In learning and teaching, the University continues to perform well, as evidenced by continuing very strong demand for entrance alongside rising entrant requirements and in nationally published satisfaction indicators. The University underwent an Enhancement-led Institutional Review in 2011 undertaken by the Quality Assurance Agency for Higher Education. The report gave a positive judgement, indicating that the University has secure arrangements for managing academic standards and for assuring and enhancing the quality of student experience.

The University has responded to the results of the 2008 Research Assessment Exercise (RAE) with targeted appointments in key academic areas, designed as part of a strategy to improve the University's performance for the Research Excellence Framework (REF) which will replace the RAE in 2013.

The University was among seven UK universities to achieve the European Commission's HR Excellence Research Award in May 2012, recognising its efforts to attract, develop and retain the best research staff from across the globe.

The University was awarded a Queen's Anniversary Prize in recognition of the work of its world-leading research unit, which is helping to further understand and protect the oceans. The Sea Mammal Research Unit, part of the School of Biology, was among the winners in the Diamond Jubilee Round of The Queen's Anniversary Prizes for Higher and Further Education.

To enhance the transfer of its knowledge to industry and the wider community, the University has continued to invest in its subsidiary companies with the aim of commercialising the intellectual property and know-how generated through its core research particularly, in the area of Marine Biology.

REPORT OF THE UNIVERSITY COURT

Achievements of the year (cont'd)

The University celebrated the 100th person to graduate from its evening degree programme. Set up in 2000 as a General Arts degree, the flexible structure of the programme enables students to study and progress at their own pace thereby widening access to students who have to combine studies with work or other commitments. This year also saw the first BSc general degree students graduate.

People

The University's success is based on the enthusiasm, dedication and talent of its academic staff, along with the ability and professionalism of support staff working throughout its Schools and Units. The University remains committed to working with its staff to strive for excellence and further enhance the reputation of the University.

The University recognises that the whole of its community contributes to its continued success and that students are a vital part of that community. The effective partnership working that is in place with students on a wide variety of issues on academic, support, governance and extra-curricular activities is an essential element in maintaining and enhancing this success. The University takes great pride in what its students achieve - both academically and through their very extensive charitable and voluntary activities.

The University particularly thanks the lay members of the University Court who contribute their time and skills without remuneration. They help to ensure strong governance of the University by providing an appropriate mix of support to management and necessary challenge.

Future developments and principal risks and uncertainties

From 2012/13, students domiciled in England, Wales and Northern Ireland will be charged tuition fees of £9,000 per year, in line with top universities across England. The University has introduced a range of bursaries to assist access for students. Early indications are that new undergraduates have recognised the quality of teaching and experience they will gain from coming to St Andrews.

There are a number of on-going risks that are being actively managed:

- The forthcoming REF assessment is critical for a research-intensive university such as St Andrews. The co-ordination and planning for this assessment is reviewed at the highest level and is high on the agenda of all academic staff.
- Wage negotiations are likely to continue to be contentious due to the growing gap between headline inflation and affordable pay offers.
- The latest actuarial valuation of the USS pension scheme shows a significant deficit. There is also an increasing pension liability in the University's local pension scheme. Any potential increase in employer contributions towards these deficits, along with the Government driven introduction of auto-enrolment to pension schemes will present a financial challenge to the University.
- Utilities price-inflation and energy utilisation is a major risk to the University as it far out-strips projected income growth. The University has plans to build a wind-farm and bio-mass plant in order to mitigate increasing prices and has a focussed sustainability agenda to address usage.
- The planning environment within which the University operates may become uncertain as a consequence of the evolving political landscape. This could affect the ability to charge fees at a level which is appropriate to manage demand and to meet the costs of providing the quality research led teaching provided by the University. It may also influence the ability to attract research funds.

REPORT OF THE UNIVERSITY COURT

Future developments and principal risks and uncertainties (cont'd)

- Increasing reliance on technology and the increasing expectations of the University's community are being addressed through planned expenditure on IT systems to increase resilience and provide modern facilities to both staff and students.

The main focus of the 600th anniversary fundraising campaign is to raise £100 million for the University to invest in people and ideas. The University's aims are to maintain its position against wealthier peers, continue to lead in the academic field and continue to open its doors more widely to attract students irrespective of their individual financial status.

The 600th Anniversary Celebrations were formally launched on 25 February 2011, with a variety of events continuing until St Andrew's Day in 2013

The University will strive to look after its students, preserve its heritage and enhance its teaching and research capabilities whilst recognising the very challenging financial circumstances facing the university sector.

Ewan Brown
Senior Governor

19 October 2012

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

RESPONSIBILITIES OF COURT

In accordance with the Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, Court is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

Court is responsible for ensuring that there are proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, the Statement of Recommended Practice: Accounting for Further and Higher education, and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed with SFC, through its designated office holder, Court is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Court has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. Court is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

Court has responsibility to:

- ensure full compliance with charities legislation and the retention of the University's charitable status;
- ensure that funds from SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with SFC and any other conditions which SFC may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- ensure that there exists an effective platform for the control and monitoring of risk and that risk implications are considered at all areas within University management;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

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

RESPONSIBILITIES OF COURT

- a comprehensive planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial performance, including updates of forecast out turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Court and promulgated in the Standing Financial Instructions;
- comprehensive Financial Regulations, detailing financial controls approved by Court on the recommendation of the Planning & Resources Committee;
- an Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Court providing Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control;
- an Audit & Risk Committee whose terms of reference are laid along with all Court Committees and which are summarised on pages 14 & 15.

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

CORPORATE GOVERNANCE

The University is committed to best practice in all aspects of corporate governance. The summary provided below describes the manner in which the University has applied the principles set out in The UK Corporate Governance Code (June 2010), developed to establish standards of best practice in corporate governance amongst UK listed companies. Its purpose is to help the reader of the financial statements understand how the principles have been applied. The summary incorporates internal control guidance for directors set out in the Turnbull Guidance (The FRC Internal Control Revised Guidance for Directors on the Combined Code) as amended by the British Universities Finance Directors Group. A benchmarking exercise carried out by SFC (SFC/42/2008) found that sector guides used by the University covered the vast majority of the key themes set out in *The good governance standard for public services*.

In the opinion of the University Court, the University complies with most of the principles of The UK Corporate Governance Code and the Turnbull Guidance (amended as outlined above), in so far as they apply to the higher education sector, and it has complied with such principles throughout the year ended 31 July 2012. There is divergence between University practice and The UK Corporate Governance Code, however, in the following two areas:

- Chair of Court - Meetings of Court are presided over by the Rector, an elected representative of the students, in terms of the Universities (Scotland) Act 1889, section 5(5). Accordingly, the University cannot comply with best practice with regard to Chair of Court. The University has, however, with the full consent of the Rector, instituted an arrangement for the election of one of the non-executive members of Court to act as 'Senior Governor'. The Senior Governor leads Court on all items of business associated with planning and resources and for such other matters as the University may be held accountable to the SFC. In addition, the Senior Governor is responsible for the appraisal and review of Court members and the Principal. The Senior Governor is elected by Court and thus has the support of the governing body as a whole in fulfilling these roles as well as engaging directly with SFC and the Scottish Government as appropriate. The SFC reviewed this governance arrangement in session 2008/09 and reported that it was satisfied with the procedure. The Scottish Government initiated a review of higher education governance in the past year, which includes the issue of the chair of Court, but its findings are still under consideration by Government.
- Term of Office – Elected and appointed members of Court normally have a term of office not exceeding four years. This compares with The UK Corporate Governance Code principle of three-year terms of office. Nevertheless, members are limited to two such terms of office, and the relatively large size of Court in comparison with listed companies (due in part to the representation of different groups on Court, encouraged in the Scottish Government's recent review of higher education governance) means that there is a regular turn-over of membership of Court as a whole.

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

Court is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE

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

Court had four regularly scheduled meetings during the year ended 31 July 2012, in addition to which there were two Extraordinary Meetings of Court. Court has a number of committees with particular areas of responsibility. The Court also operates an assurance scheme whereby areas of responsibility previously covered by Court Committees are governed by a number of smaller Assurance Groups, each with a reporting line to a parent committee. The committees and assurance groups are:

Committee	Related Assurance Group
Audit & Risk Committee	Academic Health & Safety University Ethics
Governance & Nominations Committee	
Planning & Resources Committee	Investment & Treasury
Remuneration & Human Resources Committee	

All of the Committees are constituted with formal terms of reference, outlined in the Court Members' Handbook <http://www.st-andrews.ac.uk/about/UniversityCourt/Handbookformembers/>. Membership of committees is disclosed on pages 1-3. In addition, the University Court receives regular reports from the University's Superannuation & Life Assurance Scheme, the chair of whose trustees is an appointed member of Court.

The **Audit & Risk Committee** consists of non-executive members of Court, supplemented by additional co-opted external non-executive members to assist it in its role plus, for the past year, the Students' Association Director of Representation. The Committee reviews the audit of the University's annual financial statements and keeps under review (a) policies, procedures and regulations in respect of the University's assets (including its special collections), and (b) financial controls, accounting procedures, the application of accounting standards, and routine arrangements for the investigation of questions of financial irregularity or impropriety. In addition, it considers all matters relating to the internal and external audit, and Value for Money review, of the affairs of the University and of those companies controlled by Court. In this capacity it receives reports from the internal and external auditors. As noted above, it also has responsibility for monitoring risk and receives regular reports from the University's Risk Management Group. Whilst senior executives attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee; and the Committee has the opportunity to meet with the internal or external auditors in the absence of University staff.

CORPORATE GOVERNANCE

Three Assurance Groups report to Audit & Risk Committee.

- The Academic Assurance Group oversees the implementation, management and monitoring of the University's quality enhancement strategy and quality assurance procedures. It also advises Academic Council on changes to the University's academic monitoring procedures; and liaises with University Officers and Committees on matters relating to academic quality assurance.
- The Health & Safety Assurance Group advises the Audit & Risk Committee on all matters concerning health and safety, including the University's legal obligations. The Group receives annual reports from the University's Director of Environmental, Health and Safety Services concerning the management of all areas of health and safety at work, including occupational health, radiation hazards, biological and chemical hazards and fire safety. In addition, the Group considers, as required, reports from Inspectors of enforcing authorities under health and safety legislation, reports from the University's insurance brokers and issues raised by the Trade Union safety representatives and student sabbatical officers. The Group reviews the University's Health & Safety Policy, agrees programmes for health and safety audits and ensures that recommended action is taken efficiently and effectively. Through the Audit & Risk Committee, the Group also makes recommendations to Court on actions considered necessary to promote the health and safety of employees, students and others within the University.
- The University Ethics Assurance Group undertakes to assure the appropriateness of the University's policies, procedures and decision-making where ethical consequences may be of significant concerns. This also applies to University sponsored activities wherever geographically undertaken. In particular it receives reports from the University Teaching & Research Ethics Committee, the Animal Welfare Ethics Committee and other secure research activities. In turn it reports to the Audit & Risk Committee on the effectiveness of these control activities and any issues of concern.

The **Governance & Nominations Committee** advises Court on any matter pertaining to the execution of its governance functions, including the appointment and role of Court's Senior Governor; identifies and recommends persons for membership of Court; makes recommendations to Court with regard to (a) the overall structure of University committees and (b) the remit and Court-nominated membership of such committees; and recommends to Court how it should be represented, as necessary, on external or internal bodies. It is also responsible for initiating effectiveness reviews of Court's activities. It is convened by an independent chair, selected from outwith the membership of Court.

The **Planning & Resources Committee** (PARC) reviews the annual budget and financial forecasts of the University, and the levels of residential, tuition and other fees charged to students; reviews regularly during the year actual income and expenditure as compared with budgeted levels; monitors the level and cost of the University's borrowings and the extent of other liabilities; and reviews and makes recommendations on individual financial decisions which due to their size or nature are reserved for Court. It is also empowered to take individual financial decisions in accordance with limits prescribed in the Standing Financial Instructions. In respect of its strategic planning and development responsibilities, Court receives recommendations and advice from PARC. PARC also keeps under review and reports to Court on the University's external fundraising. PARC is chaired by the Senior Governor; it includes in its membership the non-executive Court member who convenes the Investment & Treasury Assurance Group.

CORPORATE GOVERNANCE

One Assurance Group reports to PARC.

- The Investment & Treasury Assurance Group is charged with ensuring that appropriate and effective decisions are taken with regard to the investment and holding of funds under the University's management and that these activities are conducted with due regard to the University's investment policy and management of risk. It conducts regular reviews of the general investment policy of the University and within the context of that policy monitors the performance of (i) the University's investment advisers, (ii) the investment portfolio(s) under their management and (iii) University investments not under the management of the investment advisers. It reviews and makes changes in the appointment of the University's investment and treasury advisers and takes decisions in relation to the general nature or distribution of the investment portfolio and holdings, reporting as appropriate to PARC.

The **Remuneration & Human Resources Committee** ensures that the University's responsibilities as an employer are being properly managed and approves remuneration arrangements for University staff above defined thresholds. It receives, considers and approves the recommendations of the Principal in relation to the remuneration of all staff whose salary progression does not represent standard progression with regard to a recognised salary scale; receives and considers information from the Principal on all severance arrangements and approves the recommendations of the Principal on specific arrangements which involve University expenditure in excess of £80,000; determines, through its non-executive members, the remuneration of the Principal; and takes a general overview of all of the above, or any related, matters in order to ensure the exercise of appropriate financial control and of reasonable employer behaviour in remuneration or severance arrangements. More widely with regard to University staff, the Committee also receives, reviews, approves and monitors the University's strategic objectives in respect of its staff; considers, encourages and reviews the effectiveness of staff policy initiatives; reviews succession planning; reviews the effectiveness and performance of the Human Resources activities and monitors compliance and risk management with respect to employment law and practice. The promotion of equality opportunities throughout the University also falls within its remit.

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

As reported in previous years' Reports and Financial Statements, the University has formally compared the practice of Court with the requirements of the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks (SFC Circulars HE/05/99 & HE/23/00) and the Guide for Members of Higher Education Governing Bodies in the UK (March 2009) published by the Committee of University Chairs (CUC).

CORPORATE GOVERNANCE

Payment of creditors

It is the University's policy to obtain the best terms for all business and thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to adhere to specific payment terms. The average creditor payment period, calculated as a proportion of the year-end creditors to aggregate amounts invoiced during the year, was 31.2 days (2010/11: 29.4 days).

Equal Opportunities

The University has an Equality and Diversity Inclusion Policy that applies to all staff and all students. It was revised in November 2011, taking into account the provisions of the Single Equality Act (2010) and the General Duties of the Scottish Public Sector Equality Duty (2011). The Policy's aims are that all individuals will be treated with respect and that they will not be subject to unfair discrimination in any aspect of university life. The University's aim is that all staff and students, whether existing or potential, will receive fair and equal treatment when applying to become, or working as, members of the University. The Equality and Diversity Inclusion Policy aims to achieve an environment in which unfair discrimination is not tolerated, and in which everyone has the opportunity to develop to his or her full potential. This Policy includes specific provision for existing and potential employees with protected characteristics, including those with disabilities and those from under-represented ethnic and racial groups. The University actively seeks ways to ensure that such individuals are not disadvantaged in their career development by factors relating to their personal circumstances.

Ronald A Piper
Vice-Principal (Governance & Planning)

19 October 2012

CORPORATE SUSTAINABILITY REPORT

The University has reviewed its Sustainability Policy and created a new ten year plan that includes objectives in the areas of teaching, research, operations and community engagement. This report summarises some of the key aspects. The following information is a summary of the University's performance. A more detailed report will be posted on the University's website later in the year. There were no infringements of environmental legislation during the year and no enforcement notices were issued.

Energy and Carbon Management

Consumption of energy has remained steady compared to the previous year, but the overall carbon emissions have reduced by 3.2%. Electricity usage reduced by 8%, while gas use increased by 3% due to the installation of Combined Heat and Power units which use gas to produce heat with electricity as a by-product. Utilities costs have risen by 10.5% compared to the previous year reflecting the market rate for utilities. This trend is expected to continue upwards by around 15% per year. This year the University paid £297,000 for carbon allowances in the government's Carbon Reduction Commitment (CRC) scheme. In relation to turnover, CRC carbon emissions fell by 9%. The stabilisation of usage compared to the previous year is due to the investment in energy efficient infrastructure as part of the University's SALIX fund, where savings from energy investment are put back into the fund to support further work. For instance, the installation of the two gas CHP units at the North Haugh has reduced this part of the University's overall electricity consumption by 27%.

Water Use

Water consumption has reduced by 1% compared to the previous year, by the fitting of water controls on facilities.

Waste Management

The overall volume of waste sent to landfill has fallen by 24 tonnes (5%) this year. The amount of waste recycled has reached a high of 71%, with 69% recycled and 2% reused. Reuse is down 2% due to loss of a food waste collection service at New Hall. Unfortunately the total waste arisings generated by the University has risen by 658 tonnes. This rise in total waste arisings reflects efforts to collect more accurate data as well as new buildings coming on stream. In effect, the University is getting slightly better at recycling but we continue to generate more general waste.

For construction waste, each new build and major refurbishment project adopts a minimum recycling rate target of 75% of site arisings. For the BSRC, an outstanding 93% of the construction waste was recycled. The remaining 7% was diverted away from landfill to energy from waste plants.

Teaching and Research in Sustainable Development

Research increasingly points to the training and education of managers as a key component in organisational and political responses to the demands of both social responsibility and sustainable development. In response to this the School of Management has adopted a focus of 'responsible enterprise' and has made the examination of what this entails for management students a central theme in all that it does. The School is a signatory to the United Nations' Principles for Responsible Management Education (see <http://www.unprme.org/>). PRiME's aim is to "inspire and champion responsible management education, research and thought leadership globally".

Teaching and Research in Sustainable Development (Cont'd)

There is a substantial range of research within the School which explores such matters as responsible investment, accountability, sustainability in organisations, third sector initiatives and (particularly) the constraints and possibilities for more sustainable organisational behaviour and this work translates into teaching activities. One element of this is the development of teaching modules which take the basic building blocks of management education and seek to recast them with a 'responsible enterprise' focus.

One example of this development is a module titled "Contemporary Global Issues in Management" - a core module for several of the School's taught post-graduate degrees. The module creates a deep and wide appreciation of how various global trends will impact upon economies, organisations and from there the practice of management (these trends include but are not limited to the role and nature of Western capitalism; the financial crisis; issues of people and justice; the climate change agenda and links between economics and public health issues). This team taught module combined with various other relevant modules means that the School ensures that future generations of managers are more likely to be equipped to deal with the challenges that do and will continue to face them as the world grows more complex over time.

Sustainable Investment

The bulk of the University's endowed funds are invested in line with our Sustainable and Socially Responsible Investment Policy. Our fund managers, Aviva are instructed to seek investments which:

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

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

Student campaigning and charity work

The University's students continued their long tradition of charitable fundraising, volunteering and "green" campaigning.

Student groups raised well over £150,000 for local, national and international charities. This past year included Maggie's Cancer Caring Centres Fife, the RNLI, Macmillan Cancer Support and Medecins sans Frontieres. Of the 180+ affiliated student societies of the Students Association, most partake in fundraising events or activities throughout the academic year, bringing general awareness of worthy causes into the daily lives of St Andrews staff and students. This includes a wide variety of events and activities, including the UK's largest student run fashion show FS, and many of which are spontaneously created by groups of students sharing an interest.

As well as such activities, the Association's dedicated Charities Campaign exists to fundraise throughout the year with ventures including sponsored hitchhikes in Europe, a Raising and Giving week (RAG), and local fun run. In recent years the Campaign has raised as much as £80,000.

Student campaigning and charity work (Cont'd)

Additionally students continue to engage in a very large variety of charitable and voluntary activities. Many of these activities are centred on St Andrews and Fife, with a recent growth in 'Town and Gown' events. The SRC Community Relations Officer is increasingly responsible to bring community organisations in to the Students' union building for activities, and is just one of a number of students who sit on the Community Council ex officio. Internationally, there is also significant time given to support activities abroad, such as Pedal Africa, which sees several students cycling 4,000 kilometres from east to west coast raising funds and awareness for several charities.

Building upon the work of previous years in improving the University's ethical investment credentials, the Students' Association and University continued to collaborate on the creation of ethical guidelines for University research projects and funding sources, as well as organisation-wide procurement practices. The ongoing Inter-Hall Energy Competition continued to drive down energy usage in halls of residence and students held a Green Week showcasing how students can minimise their impact on the environment, with lectures, arts & craft events, and a green fashion show. In addition, the Students' Association contacted all students before the start of term, discouraging them from bringing their cars to St Andrews. There continue to be a number of awareness weeks around many important local and ethical issues, such as accommodation, gender awareness and mental health.

**Derek Watson
Quaestor & Factor
19 October 2012**

INDEPENDENT AUDITORS REPORT TO THE COURT OF THE UNIVERSITY OF ST ANDREWS

We have audited the Consolidated and University financial statements for the year ended 31 July 2012 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 32. 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).

This report is made solely to the University Court of the University of St Andrews ("Court"), as a body, in accordance with the Financial Memorandum of the University; and in accordance with section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to Court those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Court as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Court and Auditors

As explained more fully in the Responsibilities of Court set out on pages 11 and 12, Court is responsible for preparing the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditors under the Financial Memorandum of the University and also under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Court; and the overall presentation of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the University and of the Group as at 31 July 2012, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended);

Opinion on other matters prescribed by applicable regulations

In our opinion;

- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum with the Scottish Funding Council

Matters on which we are required to report by exception

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

- the information given in the Report of the University Court is inconsistent in any material respect with the financial statements;
- proper accounting records have not been kept;
- 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.

Ernst & Young LLP
Registered auditor
Glasgow

19 October 2012

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2012

Statement of Principal Accounting Policies

Basis of preparation

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

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

While the Balance Sheet shows net current liabilities, the University believes that it will continue to generate sufficient cash to continue to meet its current liabilities as they fall due.

Basis of consolidation

The consolidated financial statements include the University and all material subsidiary undertakings as listed in the notes to the accounts for the financial year to 31 July 2012. Intra-group transactions are eliminated on consolidation. The activities of the Students' Association have not been consolidated as the University does not control these activities.

Recognition of income

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

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

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

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.

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

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2012

Agency arrangements

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

Leases and hire purchase contracts

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

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

Taxation

The University of St Andrews is 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.

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

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Land and buildings

Land and buildings are stated at historic cost.

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

Depreciation

Freehold land is not depreciated.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2012

Depreciation (Cont'd)

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

Fixtures and fittings are depreciated over their expected useful economic life to the University of 20 years.

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

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

Donated Assets

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

Acquisition with the aid of specific grants

Where buildings are acquired with the aid of specific grants, the grants are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Repairs and maintenance

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

Equipment

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

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

Where equipment is acquired with the aid of a research grant, it is capitalised and depreciated over the life of the grant. The related grant is treated as a deferred capital grant and released to income over the same period.

Investments

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2012

Stocks

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

Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash. Liquid resources comprise assets held as readily disposable store of value. They include term deposits held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Foreign currencies

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

Financial Instruments

The University uses interest rate swaps to reduce exposure to interest rate movements. Such swaps are not made for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa.

Accounting for charitable donations

Unrestricted donations

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

Endowment funds

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

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

Donations for fixed assets

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2012

Gifts in kind

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

Retirement benefits

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

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme that is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate, trustee-administered fund. Because of the mutual nature of the scheme, the scheme's 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 FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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

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

Provisions

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

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2012

University Collections and Heritage Assets

The University holds significant collections comprising art and silver; historical instruments; books and other artefacts which, in 1993 with advice from the University Advisory Committee on Collections and Exhibitions were indicatively valued at £75.3 million. The University holds these collections primarily for its core purpose of teaching and research therefore they do not fall within the definition of heritage assets and are not included in the University's Balance Sheet.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2012

	Notes	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
INCOME			
Funding council grants	1	40,147	42,196
Tuition fees and education contracts	2	57,249	52,194
Research grants and contracts	3	37,290	36,433
Other income	4	33,744	32,128
Endowment & investment income	5	1,812	1,665
Total income		170,242	164,616
EXPENDITURE			
Staff costs	6	96,320	92,727
Other operating expenses		55,962	51,548
Depreciation	9	11,276	10,668
Interest and other finance costs	7	4,252	4,460
Total expenditure	8	167,810	159,403
Operating surplus after depreciation of tangible assets		2,432	5,213
Loss on disposal of fixed assets		-	(73)
Surplus on continuing operations after depreciation of assets, disposal of assets and taxation		2,432	5,140
Surplus for the year transferred to accumulated income in endowment funds	18	442	411
Surplus for the year retained within general reserves	19	2,874	5,551

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2012

	Notes	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Surplus on continuing operations after depreciation of assets, disposal of assets and taxation		2,432	5,140
Appreciation of endowment assets	18	963	2,099
Endowment additions / (disposals)	18	2,880	(66)
Revaluation of fixed asset investment		-	(102)
Actuarial (loss) / gain in respect of pension scheme	30	(11,449)	790
Total recognised (losses) / gains relating to the year		(5,174)	7,861
 Reconciliation			
Opening reserves and endowments		<u>74,634</u>	<u>66,773</u>
Total recognised (losses) / gains relating to the year		<u>(5,174)</u>	<u>7,861</u>
Closing reserves and endowments		<u>69,460</u>	<u>74,634</u>

BALANCE SHEETS
As at 31 July 2012

	Notes	As at 31 July 2012		As at 31 July 2011	
		Consolidated £000	University £000	Consolidated £000	University £000
Fixed assets					
Tangible Assets	9	226,821	221,623	225,819	220,647
Investments	10	141	2,445	388	2,354
		<u>226,962</u>	<u>224,068</u>	<u>226,207</u>	<u>223,001</u>
Endowment assets	11	<u>39,114</u>	<u>39,114</u>	<u>35,713</u>	<u>35,713</u>
Current assets					
Stock	12	684	588	473	422
Debtors	13	15,551	19,597	17,936	21,038
Short term deposits	24	10,070	10,070	-	-
Cash at bank and in hand	24	6,236	5,571	6,944	6,718
		<u>32,541</u>	<u>35,826</u>	<u>25,353</u>	<u>28,178</u>
Less: Creditors : amounts falling due within one year	14	<u>(47,090)</u>	<u>(47,851)</u>	<u>(40,851)</u>	<u>(41,671)</u>
Net current liabilities		<u>(14,549)</u>	<u>(12,025)</u>	<u>(15,498)</u>	<u>(13,493)</u>
Total assets less current liabilities		251,527	251,157	246,422	245,221
Less: Creditors: amounts falling due after more than one year	15	(91,352)	(91,257)	(91,665)	(91,528)
Less: Provision for liabilities	16	(229)	(229)	(428)	(428)
Net assets excluding pension liability		<u>159,946</u>	<u>159,671</u>	<u>154,329</u>	<u>153,265</u>
Net pension liability	30	<u>(30,980)</u>	<u>(30,980)</u>	<u>(20,180)</u>	<u>(20,180)</u>
Total net assets including pension liability		<u>128,966</u>	<u>128,691</u>	<u>134,149</u>	<u>133,085</u>
Deferred capital grants	17	<u>59,506</u>	<u>59,136</u>	<u>59,515</u>	<u>59,135</u>
Endowments					
Expendable	18	2,029	2,029	1,130	1,130
Permanent	18	37,085	37,085	34,583	34,583
		<u>39,114</u>	<u>39,114</u>	<u>35,713</u>	<u>35,713</u>
Reserves					
Income and expenditure account excluding pension reserve	19	61,326	61,421	59,101	58,417
Pension reserve	30	<u>(30,980)</u>	<u>(30,980)</u>	<u>(20,180)</u>	<u>(20,180)</u>
Income and expenditure account including pension reserve		<u>30,346</u>	<u>30,441</u>	<u>38,921</u>	<u>38,237</u>
TOTAL FUNDS		<u>128,966</u>	<u>128,691</u>	<u>134,149</u>	<u>133,085</u>

Approved by the University Court of the University of St. Andrews on 19 October 2012 and signed on its behalf by:

Professor Louise Richardson, Principal and Vice-Chancellor

Ewan Brown, Senior Governor

Andrew Goor, Director of Finance

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2012

	Notes	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Cash flow from operating activities	20	17,966	15,404
Returns on investments and servicing of finance	21	(3,129)	(3,050)
Capital expenditure and financial investment	22	(6,719)	(19,122)
Management of liquid resources	23	(10,070)	-
Decrease in cash in period		<u><u>(1,952)</u></u>	<u><u>(6,768)</u></u>
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in period		(1,952)	(6,768)
Change in short term deposits	24	<u>10,070</u>	<u>-</u>
Change in net debt	24	8,118	(6,768)
Net debt at 1 August		(82,061)	(75,293)
Net debt at 31 July	24	<u><u>(73,943)</u></u>	<u><u>(82,061)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

1 FUNDING COUNCIL GRANTS	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
SFC recurrent teaching grant	16,662	18,955
SFC recurrent research grant	18,549	18,348
Other SFC grants	3,108	3,088
	<u>38,319</u>	<u>40,391</u>
Deferred capital grants released in the year:		
Buildings	17 1,602	1,449
Equipment	17 226	356
	<u>40,147</u>	<u>42,196</u>
2 TUITION FEES AND EDUCATION CONTRACTS	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Full-time home and EU students	14,535	13,116
Full-time international students	36,338	32,875
Part-time home and EU students	221	284
Part-time international students	152	53
Research training support grants	3,215	3,143
Short course fees	2,558	2,509
Other fees	230	214
	<u>57,249</u>	<u>52,194</u>
3 RESEARCH GRANTS AND CONTRACTS	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Research Councils	18,540	19,481
UK government bodies, local and health authorities	3,784	4,467
UK based charities	4,934	7,829
UK industry, commerce and public corporations	1,140	1,204
EU government bodies	4,769	3,706
EU other	407	664
Other overseas	3,366	3,255
Other sources	78	38
	<u>37,018</u>	<u>40,644</u>
Income deferred to match capitalised purchases	17 (1,663)	(6,290)
Release of deferred capital grant for research	17 1,935	2,079
	<u>37,290</u>	<u>36,433</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

4 OTHER INCOME		Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Residences, catering and conferences		22,437	21,658
Consultancy, knowledge transfer and cultural engagement		2,354	2,780
Released from deferred capital grants	17	605	628
Distance Learning		1,091	976
Gifts & Donations		298	781
Academic Conferences		676	693
Sports Facility Income		583	501
Consumables and services recharged to research partner		345	214
Royalty Income		414	510
Other operating income		4,941	3,387
		<u>33,744</u>	<u>32,128</u>
5 ENDOWMENT AND INVESTMENT INCOME		Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Income from permanent endowments	18	1,248	1,276
Income from short-term investments		254	249
Net return on pension scheme	30	310	140
		<u>1,812</u>	<u>1,665</u>
6 STAFF COSTS		Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Staff Costs:			
Salaries		79,016	76,345
Social security costs		6,282	5,839
Other pension costs		11,022	10,543
Total		<u>96,320</u>	<u>92,727</u>
Emoluments of Principal		£000	£000
Salary		225	225
Benefits in kind		10	1
Pension contributions to USS		36	36

The University paid tax on the benefit in kind shown

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

6 STAFF COSTS (Cont'd)

	Year ended 31 July 2012	Year ended 31 July 2011
Remuneration of higher paid staff, excluding employer's pension contributions	Number	Number
£70,001 - £80,000	33	35
£80,001 - £90,000	38	37
£90,001 - £100,000	19	22
£100,001- £110,000	14	10
£110,001 - £120,000	8	7
£120,001 - £130,000	3	2
£130,001 - £140,000	3	2
£140,001 - £150,000	-	1
£150,001 - £160,000	1	1
£200,001 - £210,000	-	1
£220,001 - £230,000	1	1
	120	119

	Year ended 31 July 2012	Year ended 31 July 2011
Average staff numbers by major category:	Number	Number
Academic	926	865
Academic / teaching support services	198	235
Research	348	346
Administration	309	300
Premises	194	190
Catering & residences	230	244
	2,205	2,180

7 INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2012	Year ended 31 July 2011
	£000	£000
Interest paid to endowments	9	10
Loans repayable wholly or partly in more than five years	4,243	4,450
	4,252	4,460

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Academic Schools	65,538	61,450
Academic support services	12,151	11,527
Central services	15,225	15,081
Premises	19,283	17,038
Research grants and contracts	27,149	27,277
Residences, catering and conferences	16,361	15,489
Other expenses	12,103	11,541
	<u>167,810</u>	<u>159,403</u>
Other operating expenses include:	£000	£000
External auditors remuneration in respect of audit services	69	70
External auditors remuneration in respect of non-audit services	9	69
Internal audit	75	69
Hire of plant and equipment	102	80

9 TANGIBLE FIXED ASSETS

Consolidated	Land & Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Total £000
Cost				
At 1 August 2011	232,757	18,859	63,141	314,757
Additions	688	10,004	2,037	12,729
Transfers	19,669	(21,818)	2,149	-
Impairment	-	(451)	-	(451)
At 31 July 2012	<u>253,114</u>	<u>6,594</u>	<u>67,327</u>	<u>327,035</u>
Depreciation				
At 1 August 2011	39,095	-	49,843	88,938
Charge for Year	6,799	-	4,477	11,276
At 31 July 2012	<u>45,894</u>	<u>-</u>	<u>54,320</u>	<u>100,214</u>
Net Book Value				
At 31 July 2012	<u>207,220</u>	<u>6,594</u>	<u>13,007</u>	<u>226,821</u>
At 31 July 2011	<u>193,662</u>	<u>18,859</u>	<u>13,298</u>	<u>225,819</u>
Financed by capital grant	55,256	3,756	4,249	63,261
Other	151,964	2,838	8,758	163,560
Net book value at 31 July 2012	<u>207,220</u>	<u>6,594</u>	<u>13,007</u>	<u>226,821</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

9 TANGIBLE FIXED ASSETS (Cont'd)

University	Land & Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Total £000
Cost				
At 1 August 2011	226,340	18,861	62,585	307,786
Additions	533	10,002	2,038	12,573
Transfers	19,669	(21,818)	2,149	-
Impairment	-	(451)	-	(451)
At 31 July 2012	246,542	6,594	66,772	319,908
Depreciation				
At 1 August 2011	37,851	-	49,288	87,139
Charge for Year	6,669	-	4,477	11,146
At 31 July 2012	44,520	-	53,765	98,285
Net Book Value				
At 31 July 2012	202,022	6,594	13,007	221,623
At 31 July 2011	188,489	18,861	13,297	220,647
Financed by capital grant	54,885	3,756	4,249	62,890
Other	147,137	2,838	8,758	158,733
Net book value at 31 July 2012	202,022	6,594	13,007	221,623

Included within fixed assets is an amount of £3,523,218 (2010/11 - £3,144,505) of capitalised finance costs. £378,713 of finance costs were capitalised during 2011/12 while £66,960 was expensed in line with depreciation. A monthly capitalisation rate was used which averaged at 5.13% for the year. Buildings and equipment with a cost of £98.6 million and a net book value of £57.5 million have been financed in part or in whole by Treasury sources. Should these assets be sold the University may have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the SFC.

10 FIXED ASSETS INVESTMENTS

	Subsidiary Companies £000	Investment in spin-out companies £000	Other fixed asset investments £000	Total £000
Consolidated				
At 1 August 2011	-	200	188	388
Impairment	-	(200)	(47)	(247)
At 31 July 2012	-	-	141	141
University				
At 1 August 2011	1,966	200	188	2,354
Additions	1,200	-	-	1,200
Impairment	-	(200)	(47)	(247)
Disposal	(862)	-	-	(862)
At 31 July 2012	2,304	-	141	2,445

Other fixed assets include donated shares held for resale, the proceeds of which are to be used for specific capital projects.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

11 ENDOWMENT ASSET INVESTMENTS

	As at 31 July 2012	As at 31 July 2011
	£000	£000
Consolidated and University		
Balance as at 1 August	35,713	34,091
Additions	1,608	711
Disposals	-	(2,422)
Appreciation	963	2,099
Debtor movement	2,074	(156)
Cash movement	(1,244)	1,390
Balance as at 31 July	39,114	35,713
Represented by:		
Fixed Interest Stocks	155	-
Investment Property Trusts	1,265	-
Equities	30,343	29,192
Land & Property	900	900
Amounts included within short term deposits	5,402	3,280
Creditors	(54)	(6)
Bank, Building Society & Other Deposits	1,103	2,347
Total Endowment Assets	39,114	35,713

12 STOCKS

	As at 31 July 2012		As at 31 July 2011	
	Consolidated £000	University £000	Consolidated £000	University £000
Stocks of consumables	684	588	473	422

13 DEBTORS

	As at 31 July 2012		As at 31 July 2011	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year:				
Trade debtors	4,216	3,617	3,630	2,715
Debts due from students	451	451	922	922
Research debt	6,687	6,687	9,748	9,748
Prepayments and accrued income	3,963	3,963	2,728	2,728
Other debtors	234	226	908	901
Amounts due from group undertakings	-	4,653	-	4,024
	15,551	19,597	17,936	21,038

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 July 2012		As at 31 July 2011	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Payments received in advance	15,244	15,244	12,851	12,851
Research grants received on account	10,961	10,961	9,499	9,499
Trade creditors	6,478	5,788	5,913	5,249
Social security and other taxation payable	2,575	2,450	2,185	2,155
Amounts owed to group undertakings	-	1,580	-	1,580
Accruals and deferred income	11,832	11,828	10,403	10,337
	47,090	47,851	40,851	41,671

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	As at 31 July 2012		As at 31 July 2011	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Unsecured loan	91,257	91,257	91,257	91,257
Cumulative convertible pref shares	95	-	95	-
Other long term creditors	-	-	313	271
	91,352	91,257	91,665	91,528

Analysis of secured and unsecured loans:

Due between two and five years	1,257	1,257	1,257	1,257
Due in five years or more	90,000	90,000	90,000	90,000
	91,257	91,257	91,257	91,257

Due within one year or on demand	-	-	-	-
Due after more than one year	91,257	91,257	91,257	91,257

Unsecured loans repayable by 2017	1,257	1,257	1,257	1,257
Unsecured loans repayable by 2026	30,000	30,000	30,000	30,000
Unsecured loans repayable by 2048	60,000	60,000	60,000	60,000
	91,257	91,257	91,257	91,257

Included in loans are the following:

	Amount £000	Repayments Commence	Interest Rate
Barclays Bank Plc	30,000	2019	5.34%
Barclays Bank Plc	60,000	2036	5.04%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

16 PROVISIONS FOR LIABILITIES

Consolidated and University	FSSU Unfunded Pension £000	Early Retirement & Restructuring Provision £000	Total £000
At 1 August	37	391	428
Utilised in year	(5)	(391)	(396)
Transfer from income and expenditure account	-	197	197
At 31 July	32	197	229

17 DEFERRED CAPITAL GRANTS

Consolidated	SFC £000	Research Grants £000	Other Grants £000	Total £000
As 1 August				
Buildings	38,173	3,756	12,193	54,122
Equipment	695	3,871	827	5,393
Total	38,868	7,627	13,020	59,515
Grants receivable				
Buildings	2,141	742	377	3,260
Equipment	166	921	12	1,099
Total	2,307	1,663	389	4,359
Disposals				
Buildings	-	-	-	-
Equipment	-	-	-	-
Total	-	-	-	-
Released to income and expenditure				
Buildings (notes 1, 3 and 4)	(1,602)	(96)	(427)	(2,125)
Equipment (notes 1, 3 and 4)	(226)	(1,839)	(178)	(2,243)
Total	(1,828)	(1,935)	(605)	(4,368)
At 31 July				
Buildings	38,712	4,402	12,143	55,257
Equipment	635	2,953	661	4,249
Total	39,347	7,355	12,804	59,506

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

17 DEFERRED CAPITAL GRANTS (Cont'd)	SFC	Research grants	Other grants	Total
University	£000	£000	£000	£000
As at 1st August				
Buildings	37,793	3,756	12,193	53,742
Equipment	695	3,871	827	5,393
Total	<u>38,488</u>	<u>7,627</u>	<u>13,020</u>	<u>59,135</u>
Grants receivable				
Buildings	2,141	742	377	3,260
Equipment	166	921	12	1,099
Total	<u>2,307</u>	<u>1,663</u>	<u>389</u>	<u>4,359</u>
Disposals				
Buildings	-	-	-	-
Equipment	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Released to income and expenditure account				
Buildings	(1,592)	(96)	(427)	(2,115)
Equipment	(226)	(1,839)	(178)	(2,243)
Total	<u>(1,818)</u>	<u>(1,935)</u>	<u>(605)</u>	<u>(4,358)</u>
At 31st July				
Buildings	38,342	4,402	12,143	54,887
Equipment	635	2,953	661	4,249
Total	<u>38,977</u>	<u>7,355</u>	<u>12,804</u>	<u>59,136</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

18 ENDOWMENTS

Consolidated and University

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2012 Total £000	2011 Total £000
Balances at 1 August 2011						
Capital	2,742	30,870	33,612	1,130	34,742	33,155
Accumulated income	-	971	971	-	971	936
	2,742	31,841	34,583	1,130	35,713	34,091
Additions / Disposals	266	1,184	1,450	1,430	2,880	(66)
Investment income	42	1,206	1,248	-	1,248	1,276
Expenditure	(42)	(1,117)	(1,159)	(531)	(1,690)	(1,687)
	-	89	89	(531)	(442)	(411)
Increase in market value of investments	85	878	963	-	963	2099
At 31 July 2012	3,093	33,992	37,085	2,029	39,114	35,713
Represented by:						
Capital	3,093	32,932	36,025	2,560	38,585	35,188
Accumulated Income	-	1,060	1,060	(531)	529	525
	3,093	33,992	37,085	2,029	39,114	35,713
Analysis by type of Purpose						
	£000	£000	£000	£000	£000	£000
Chairs and Lectureships	-	8,924	8,924	478	9,402	8,903
Academic School/Unit	-	4,976	4,976	282	5,258	5,139
Scholarships and Bursaries	-	19,287	19,287	1,029	20,316	17,927
Prizes	-	805	805	29	834	817
General	3,093	-	3,093	-	3,093	2,742
Other	-	-	-	211	211	185
	3,093	33,992	37,085	2,029	39,114	35,713

Included within endowments are a number of permanent restricted funds with a deficit of accumulated income as at 31 July 2012. These comprise of 47 individual funds with a combined deficit balance of £0.1 million (2011: 53 Funds with a total combined deficit of £0.1 million). The University closely monitors funds in a deficit position and expects them to return to an accumulated income position over future years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

18 ENDOWMENTS (Cont'd)

Charitable funds that are over 1% of the value of total endowment funds

Name of Fund	At 1 August 2011	New / Additions	Change in market value	Realised appreciation	Exchange Rate Movement	Income	Expenditure	At 31 July 2012
	£000	£000	£000	£000	-	£000	£000	£000
United College Chairs Fund	5,460	-	173	(169)	-	217	(217)	5,464
Lapsed Bursaries Fund	3,498	-	105	(103)	-	132	(290)	3,342
General Unrestricted Fund	2,157	-	68	-	-	19	(19)	2,225
Ransome Scholarships Bequest	1,877	-	10	-	(22)	144	(143)	1,866
D. & G. Bonnyman Scholarship	-	1,000	(13)	-	-	2	-	989
Prof & Mrs Purdie Bequest	976	-	3	(3)	-	29	-	1,005
Maitland Ramsay Postgraduate	1,011	-	29	(29)	-	37	(10)	1,038
Gifford Bequest	737	-	22	(21)	-	27	-	765
John & Aileen Irving	626	-	20	(19)	-	25	(30)	622
Moncrieff Travelling Scholarship	-	549	1	-	-	2	-	552
Guthrie Mortification scholarship	509	-	16	(16)	-	20	(34)	495
Harold Mitchell Fellowship	488	-	15	(15)	-	19	-	507
St Mary's Anniversary Appeal	534	-	15	(15)	-	19	-	553
Global Health (Expendable)	-	429	-	-	-	-	(1)	428
Dow House Donation	432	-	-	-	-	-	(4)	428
Don Scholarship	415	-	13	(12)	-	16	-	432
Ronald M Smith Trust	370	6	12	-	-	3	-	391
Ottakar Sykora Scholarship Fund	463	-	13	(13)	-	17	(17)	463
	<u>19,553</u>	<u>1,984</u>	<u>502</u>	<u>(415)</u>	<u>(22)</u>	<u>728</u>	<u>(765)</u>	<u>21,565</u>

19 MOVEMENT ON RESERVES

	Consolidated £000	University £000
Income and expenditure account		
At 1 August 2011	59,101	58,416
Surplus retained for the year	2,874	3,654
Transfer to pensions liability reserve	(649)	(649)
At 31 July 2012	<u>61,326</u>	<u>61,421</u>
Pension Reserve	£000	£000
At 1 August 2011	(20,180)	(20,180)
Actuarial gain	(11,449)	(11,449)
Transfer from income and expenditure account	649	649
At 31 July 2012	<u>30,980</u>	<u>30,980</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

20 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Surplus after depreciation and disposal of assets	2,432	5,140
Depreciation	11,276	10,668
Deferred capital grants released to income	(4,368)	(4,518)
Investment income	(1,812)	(1,665)
Loss on disposal of tangible fixed assets	-	73
Impairment of tangible fixed assets	451	-
Impairment of investments	247	93
Interest payable	4,252	4,460
(Increase) / decrease in stocks	(211)	39
Decrease / (Increase) in debtors	2,385	(2,981)
Increase in creditors	3,852	4,382
(Decrease) / Increase in provisions	(199)	263
Pension costs less contributions payable	(339)	(550)
Net cash inflow from operating activities	<u>17,966</u>	<u>15,404</u>
21 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Income from endowments	1,248	1,276
Other interest received	254	249
Interest paid	(4,631)	(4,575)
	<u>(3,129)</u>	<u>(3,050)</u>
22 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Payments made to acquire tangible fixed assets	(12,349)	(31,532)
Proceeds from sale of tangible fixed assets	-	(55)
Receipts from sales of fixed asset investments	-	280
Payments to acquire endowment assets	(1,608)	(711)
Receipts from sales of endowment asset investments	-	2,422
Deferred capital grants received	4,359	10,541
Endowments received	2,879	(67)
	<u>(6,719)</u>	<u>(19,122)</u>
23 MANAGEMENT OF LIQUID RESOURCES	Year ended 31 July 2012 £000	Year 31 July £000
Increase in Short term deposits	(10,070)	-
	<u>(10,070)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

24 ANALYSIS OF CHANGE IN NET DEBT	At 1 August 2011 £000	Cash Flows £000	At 31 July 2012 £000
Cash			
At Bank and in hand	6,944	(708)	6,236
Endowment cash	2,347	(1,244)	1,103
	9,291	(1,952)	7,339
Short term investments	-	10,070	10,070
Debt due after one year	(91,257)	-	(91,257)
Preference Shares	(95)	-	(95)
Net Debt	(82,061)	8,118	(73,943)

25 CAPITAL AND OTHER COMMITMENTS
Consolidated and University

Provision has not been made for the following capital commitments at 31st July 2012

	As at 31 July 2012		As at 31 July 2011	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted for	1,230	1,230	2,781	2,781
Authorised but not contracted for	7,563	7,563	16,305	16,305
	8,793	8,793	19,086	19,086

26 LEASE OBLIGATIONS
Consolidated and University

	As at 31 July 2012		As at 31 July 2011	
	Consolidated £000	University £000	Consolidated £000	University £000
Annual rentals under operating leases are as follows:				
Leases expiring less than five years				
Equipment	247	247	111	111
Property	493	493	-	-
	740	740	111	111
Leases expiring more than five years				
Property	166	166	-	-
	906	906	111	111

27 POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

28 AMOUNTS DISBURSED AS AN AGENT:
Consolidated and University

Discretionary fund

	Year ended 31 July 2012		Year ended 31 July 2011	
Income	£000	£000	£000	£000
Excess of income over expenditure at 1 August	29		13	
Funding Council grants	303		323	
Transfers from childcare fund	-		7	
Interest earned	-	332	-	343
Expenditure				
Disbursed to students				
Fund running cost	(331)	(331)	(314)	(314)
Excess of income over expenditure at 31 July		<u>1</u>		<u>29</u>

Childcare fund

	£000	£000	£000	£000
Income				
Excess of income over expenditure at 1 August	2		2	
Funding Council grants	22		25	
Interest earned	-	24	-	27
Expenditure				
Transfers to Hardship Fund	-		(7)	
Disbursed to students	(23)		(17)	
Fund running cost	(1)	(24)	(1)	(25)
Excess of income over expenditure at 31 July		<u>-</u>		<u>2</u>

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

29 DISCLOSURE OF RELATED PARTY TRANSACTIONS

Due to the nature of the University's activities and the composition of Court (being drawn from local public and private sector organisations) transactions may take place with organisations in which a member of Court may have an interest. From time to time, as supporters of the University, Court members may make donations of varying amounts to assist the University in achieving its goals. All transactions involving organisations in which a member of Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

30 PENSION ARRANGEMENTS

The University contributes to two pension schemes for its staff.

Universities Superannuation Scheme (U.S.S.)

The Universities Superannuation Scheme (USS) is a UK-wide defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund – Universities Superannuation Scheme Ltd. The appointment of directors to the board of the trustee is determined by the Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new 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. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An “inflation risk premium” adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England’s target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% annum (with short term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting the historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation, then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members’ mortality S1NA [“light”] YoB tables – no age rating
Female members’ mortality S1NA [“light”] YoB tables – rated down one year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

30 PENSION ARRANGEMENTS (Cont'd)

At the valuation date, the value of the assets of the scheme was £32,434 million and the value of the scheme's technical provision was £35,344 million indicating a shortfall of £2,910 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004, the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic salary experience. However when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date, the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. They include:

New entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible retirement

Flexible retirement options were introduced

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

30 PENSION ARRANGEMENTS (Cont'd)

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB section members respectively.

Cost Sharing

If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since March 2011, global investment markets have continued to fluctuate and following its peak in September 2011, inflation has declined rapidly towards the year-end although the market's assessment of inflation has remained reasonably constant. The actuary has estimate that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes in market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis using a AA bond discount rate of 4.9% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in Assumption	Impact on shortfall
Investment Return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1.0 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

30 PENSION ARRANGEMENTS (Cont'd)

The USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in the USS, the amount of any pension funding shortfall (which cannot be otherwise recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The Trustees believe that over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The Trustees recognise that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However in order to meet the long-term funding objective within a level of contributions that it considers employer would be willing to make the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities.

Before deciding what degree of investment risk to take relative to the liabilities, the Trustees receive advice from its internal investment team, its investment consultant and the scheme actuary, and considers the view of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The Trustees believe that this, together with the ongoing flow of new entrants in the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed directly through to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

At 31 March 2011, USS had over 145,000 active members and the University had 1,152 members participating in the scheme.

The total USS pension cost for the University was £8.411 million (2010/11 - £7.954 million). This includes £0.719 million (2010/11 - £0.666 million) of outstanding contributions at the balance sheet date. The contribution rate payable by the University was 16% of pensionable salaries. Employees' regular contributions were £3.834 million (2010/11 - £3.171 million) and £0.424 million (2010/11 £0.446 million) in respect of additional voluntary contributions.

St. Andrews University Superannuation & Life Assurance Scheme

This is a defined benefit scheme primarily for the benefit of non-academic University staff. It is externally funded and contracted out. The assets of the scheme are held in a separate trustee administered fund. The University is required to account for the present value of the scheme assets and liabilities on its balance sheet. A full actuarial valuation of the scheme was carried out at 31 July 2009 and updated to 31 July 2012 by a qualified independent actuary. The major assumptions used by the actuary, on the Projected Unit method, were:

	Year ended 31 July 2012	Year ended 31 July 2011	Year ended 31 July 2010
Rate of increase in salaries	3.50%	4.60%	4.30%
Rate of increase in benefits accruing prior to 6 April 2006	2.60%	3.60%	3.30%
Rate of increase in benefits accruing from 6 April 2006	1.90%	2.50%	2.50%
Discount Rate	4.10%	5.40%	5.40%
Inflation assumption	2.50%	3.60%	3.30%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

30 PENSION ARRANGEMENTS (Cont'd)

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

	As at 31 July 2012	As at 31 July 2011
	Years	Years
Retiring today:		
Males	20.8	20.9
Females	23.4	23.5
Retiring in 20 years:		
Males	22.7	22.8
Females	25.3	25.3

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

	Long term rate of return expected at 31 July 2012	Value at 31 July 2012 £000	Long term rate of return expected at 31 July 2011	Value at 31 July 2011 £000	Long term rate of return expected at 31 July 2010	Value at 31 July 2010 £000
Equities	8.0%	41,059	7.5%	41,084	7.7%	33,956
Alternatives	8.0%	20,283	7.5%	20,236	7.7%	18,284
Cash	2.7%	123	3.6%	-	3.9%	-
		<u>61,465</u>		<u>61,320</u>		<u>52,240</u>

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

	As at 31 July 2012 £000	As at 31 July 2011 £000
Total fair value of scheme assets	61,465	61,320
Present value of scheme liabilities	(92,445)	(81,500)
Deficit in scheme - Net pension liability	<u>(30,980)</u>	<u>(20,180)</u>

Changes in the fair value of scheme assets

Opening fair value of scheme assets	61,320	52,240
Expected return	4,640	4,060
Actuarial (losses) / gains	(5,644)	3,920
Contributions by employer	3,739	3,770
Contributions by members	33	30
Benefits paid	(2,623)	(2,700)
Closing fair value of scheme assets	<u>61,465</u>	<u>61,320</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

30 PENSION ARRANGEMENTS (Cont'd)

	As at 31 July 2012 £000	As at 31 July 2011 £000
Changes in the present value of the defined benefit liabilities		
Opening defined benefit liability	81,500	73,900
Service Cost	3,400	3,170
Employee contributions	33	30
Interest Cost	4,330	3,920
Actuarial losses	5,805	3,130
Past service costs	-	50
Benefits paid	(2,623)	(2,700)
Closing defined benefit liability	92,445	81,500
Amounts charged to income and expenditure account:		
Current service cost	3,400	3,170
Past service cost	-	50
Total operating charge	3,400	3,220
Net finance return / (charge) on pension scheme		
Expected return on pension scheme assets	4,640	4,060
Interest on pension scheme liabilities	(4,330)	(3,920)
Net credit to financing cost	310	140
Amounts recognised in the statement of total recognised gains and losses		
Loss / (gain) on scheme assets	(5,645)	3,920
Experience (loss) / gain arising on scheme liabilities	(1,740)	270
Changes in assumptions underlying the present value of scheme liabilities	(4,064)	(3,400)
Actuarial loss recognised in statement of total recognised gains & losses	11,449	790

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

	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Deficit on scheme at 1 August	(20,180)	(21,660)
<i>Movement in year:</i>		
Current service cost	(3,400)	(3,170)
Contributions	3,739	3,770
Past service costs	-	(50)
Other finance income	310	140
Actuarial (loss) / gain	(11,449)	790
Deficit on scheme at 31 July	(30,980)	(20,180)

NOTES TO THE FINANCIAL STATEMENTS
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30 PENSION ARRANGEMENTS (Cont'd)

The University has contributed to the scheme at the following rates of pensionable salary:

				Year ended 31 July 2012	Year ended 31 July 2011
				<u>20.23%</u>	<u>20.23%</u>
History of experience gains and (losses)	2012	2011	2010	2009	2008
Difference between the expected and actual return on scheme assets					
Amount (£000)	(5,645)	3,920	3,850	(4,910)	(5,250)
Percentage of scheme assets	9.2%	6.5%	7.4%	11.2%	12.0%
Experience gains and losses on scheme liabilities					
Amount (£000)	(1,740)	270	1,940	380	(2,440)
Percentage of the present value of the scheme liabilities	1.9%	0.6%	2.6%	0.6%	3.9%
Total amount recognised in the statement of total recognised gains and losses					
Amount (£000)	(11,449)	790	(110)	(3,230)	(11,090)
Percentage of the present value of the scheme liabilities	12.4%	1.0%	0.2%	4.9%	17.5%

31 SUBSIDIARY COMPANIES:

The University owns 100% of the following operating subsidiaries

<i>Company</i>	<i>Share capital</i>	<i>Country of incorporation</i>	<i>Activity</i>
St. Andrews University Services Ltd.	£2	Scotland	Vacation letting
University of St Andrews Gateway Ltd	£2	Scotland	Property development
University of St Andrews Shop Ltd	£600,002	Scotland	Retail
Photosynergy Ltd	£200	Scotland	Laser Lighting
StAAR Ltd	£1,200,000	Scotland	Applied Research
SOI Group Ltd	£600,001	Scotland	Marine Science
SMRU Ltd	£862,000	Scotland	Marine Science
SOI Ltd	£50,001	Scotland	Marine Science
Marine Instrumentation Ltd	£260,000	Scotland	Marine Science
SMRU (Hong Kong) Ltd	HK\$10,000	Hong Kong	Marine Science
SMRU (Canada) Ltd	CDN\$100	Canada	Marine Science
SMRU LLC	-	USA	Marine Science
StAAR Inc	\$1	USA	Applied Research

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2012

32 COLLECTIONS:

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

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

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