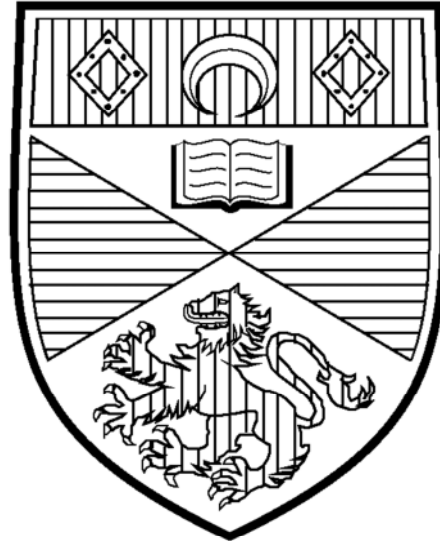


*Reports and Financial Statements
of the University Court
for the year to 31 July 2011*



University
of
St Andrews

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

CONTENTS

	Pages
Membership of Court and Committees	1 – 3
Report of the University Court	4 – 8
Responsibilities of Court	9 – 10
Corporate governance	11 – 14
Corporate Sustainability Report.....	15 – 17
Independent auditors' report.....	18 – 19
Financial Statements:	
Principal accounting policies.....	20 - 25
Consolidated income and expenditure account	26
Consolidated statement of total recognised gains and losses	27
Balance sheets	28
Consolidated cash flow statement	29
Notes to the financial statements.....	30 – 49

MEMBERSHIP OF COURT AND COMMITTEES

The Rector, President
Mr K. Dunion

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

Fife Council, Provost of Fife's Assessor
Cllr P. Grant

Assessors of the General Council
Mr E. Brown
Miss K.M. Patrick

Assessors of the Senatus Academicus
Dr N. Adamson (from 1 August 2011)
Professor R. Crawford
Professor A. Mackenzie
Dr C.E. Whitehead (until 31 July 2011)
Dr S. Whiten

Non-Teaching Staff Member
Dr A. Sandeman

Student Representatives
Mr O. Wilton, *President of the Students' Association* (from 1 July 2010 to 30 June 2011)
Ms S. Parker, *Director of Representation* (from 1 July 2010 to 30 June 2011)
Mr P. O'Hare, *President of the Students' Association* (from 1 July 2011)
Mr S. Fowles, *Director of Representation* (from 1 July 2011)

Non-Executive Members
Sir A. Bagnall
Mrs A.K. Blair (until 31 July 2011)
Dr N.M. Bryson
Mr P.P. Cabrelli
Mr M. Jones
Rev Dr M. MacLean
Dr M. Popple

Secretary of the Court
Professor R.A. Piper

MEMBERSHIP OF COURT AND COMMITTEES

Members

Status

AUDIT & RISK COMMITTEE

Dr N.M. Bryson (Convener)	Non-executive member
Mrs A. K. Blair (until 31 July 2011)	Non-executive member
Mr P.P. Cabrelli	Non-executive member
Miss K.M. Patrick	Non-executive member
Dr M. Popple	Non-executive member
Mr W.J. Sutherland	Court nominee
Director of Representation, Students' Association	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	Non-executive member
Dr A. Sandeman	Member of Court
Dr C.E. Whitehead (until 31 July 2011)	Member of Court
Dr N. Adamson (from 1 August 2011)	Member of Court
Secretary: Executive Officer to Court	

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	Non-executive member
Dr D. Erdal	Non-executive member
Professor R. Crawford	Member of Court
Professor A. Mackenzie	Member of Court
Secretary: Executive Officer to Court	

MEMBERSHIP OF COURT AND COMMITTEES

Members

Status

REMUNERATION & HUMAN RESOURCES COMMITTEE

Senior Governor (Convener)

ex officio

The Principal ¹

ex officio

Sir A. Bagnall

Non-executive member

Dr N.M. Bryson

Non-executive member

Mr P.P. Cabrelli

Non-executive member

Secretary: Director of Human Resources

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

REPORT OF THE UNIVERSITY COURT

Preparation of the financial statements

The financial statements for the year to 31 July 2011 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 20 the financial statements have been prepared on a historical cost basis as modified by the revaluation of listed and endowment asset investments.

Results for the year

Total income increased by 6.4% to £165.7 million with the surplus for the year rising from £4.9 million to £5.6 million. The surplus on operations, excluding losses on disposal of fixed assets and exceptional impairment, showed a small decrease from £5.9 million to £5.2 million and represented around 3.2% of total income. This overall satisfactory outcome was achieved against a backdrop of continuing economic uncertainty and inflationary pressures.

Grants received from the SFC were £40.4 million, representing 24.4% of total income and down from 26.1% in the previous year and 28.2% in 2008/09. This fall in the proportion of overall income reflects the growth in the University's income from other sources.

Tuition fee and educational contract income grew by 16% to £53.3 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 overseas markets as a source of growth to help counteract the squeeze on UK public sector funding. 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.

Income from research grants increased by 1.8% to £38.3 million and the level of grant awards reduced from £50.2 million to £37.9 million. The decrease in awards was mainly due to the timing of the announcement, late in the fourth quarter of the previous financial year, of two significant research grants relating to Biology and a contribution to the Biomedical Sciences Research Complex (BSRC). Increased competition for, at best, a static research funding pool, is putting pressure on the level of research income being achieved. The University is also seeing a wider spread of awards, with a reduction in those coming via the Research Council, and an increase in those coming from the European Union. Research grants are also attracting a lower level of overhead recovery, and a lower level of funding for the equipment required to fulfil the research activity. All of this inevitably puts more pressure on the University to maximise its other income streams and operate as efficiently and effectively as it can. 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. 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. Such research will contribute to the long term success of the economy.

Other income increased by £1.9 million to £32.1 million, an increase of 6.2%. The main elements of this relate to the University's activities in commercialising its intellectual property and know-how. Residential services have done well to maintain their income levels despite increased price competition in the marketplace.

Endowment income, which is used largely to support widening access through the funding of scholarships, remained constrained as equity markets remained relatively weak, with large peaks and

REPORT OF THE UNIVERSITY COURT

troughs reflecting the turbulence across the world economy. Income from cash deposits reflected the continuing record low in interest rates around the globe. Overall there was a small increase of £0.3 million for the year.

Pay costs continue to be the largest area of expenditure, accounting for £92.7 million, equivalent to 56.0% of income. This reflects a slowing in the growth of the pay bill, but still an increase of £2.4 million compared to the previous year. With pay being the largest cost area within the University, additional procedures are being established in order to ensure resource requests are tied to specific output measures. An efficiency plan is also being developed specifically tied to improved partnership working across the University.

There were reviews and restructuring in Residential and Business Services and IT Services/Business Improvements Units. The priority in both reviews was to respond positively to requests from students and staff for improvements in our Catering and IT Services. Student surveys have continually expressed a need for improvements in catering, in menus and in variety. In IT, staff and students want and rightly expect systems and support which reflect our status as a world-class university.

Other operating expenses increased by 10.9% to £52.6 million. There were increased costs across a number of areas, including bursaries and scholarships, the library (as part of a substantial investment in library services), VAT and rates. Expenditure also increased across the University's wholly owned subsidiaries, although additional income was also achieved to contribute towards these costs. Energy costs overall remained relatively flat over the last year, with the University's underlying consumption stabilised, in a large part through its investment in efficient energy technology and insulation. This included the installation of a combined heat and power engine on the North Haugh in order to generate electricity and heat for the School of Physics and Astronomy and for the Medical and Biological Sciences Building. There was also a sizeable water rebate agreed at the end of the year, having a positive impact on the overall costs. Despite this, a significant cost increase is expected, and planned for, in the current year, as utility prices are forecast to increase significantly. 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.

The University has established the annual cost of teaching as being £11,772 per student, based on published Transparent Approach to Costing data. This cost represents the quality of research led teaching across the University and will need to be reflected in future financial plans and strategies. In addition, the headline Spending Review outcome has now been released by the Scottish Government. Whilst the commitment to Higher Education is to be welcomed, the details are not yet known and, therefore, the impact on the University cannot yet be established. This will be an integral element of future financial plans for the University, along with the potential impact of fees for students from England, Wales and Northern Ireland.

The University's local pension scheme is reporting a reduced FRS17 pension deficit as at 31 July 2011 of £20.2 million, reflecting an improvement in the year of £1.5 million. This reflects an increase in the asset value of £9.1 million, with liabilities increasing by £7.6 million.

The University's greater exposure to financial risk relates to members of the UK-wide Universities Superannuation Scheme (USS). This scheme has been in substantial deficit, as evaluated under the FRS 17 formula and the scheme's historic gilts basis, and publication of the results of the latest triennial actuarial valuation (31 March 2011) is awaited. Over the past year, changes in benefits, contribution rates and scheme structure have been approved for implementation in October 2011. However, because of the constitution of the scheme, individual universities are not able to show their respective shares of the USS deficit on their balance sheets.

REPORT OF THE UNIVERSITY COURT

During the year the consolidated balance sheet totals increased by £13.9 million to £134.1 million. There was further significant growth in tangible fixed assets of £18.3 million, reflecting the University's continued investment in its infrastructure. This was partly offset by an increase in net current liabilities of £7.5 million, reflecting the use of cash balances to contribute towards the funding of asset investments. Other movements on the balance sheet saw Endowment Assets grow by around £1.6 million (4.8%) to £35.7 million.

Key Performance Indicators

The University measures its performance in all areas 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 – The University continues to progress in research terms. Preparations are well underway for the Research Excellence Framework (REF) with an effective date in late 2013. The Research@StAndrews Portal has been launched to showcase the University's excellent research, recording and tracking information relating to the University's Research Centres, individuals' research profiles and research publications.

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 continues 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. Particular growth in demand has been evident for Post Graduate Taught programmes from the home as well as overseas market as 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 2010 National Student Survey (NSS) St Andrews shared top place in Scotland with the University of Glasgow and joint second place in the UK with Oxford. This is the sixth 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. The University continues to grow the amount of resources available for scholarship funding to further improve access opportunities for able students.

Staff – The University is on track in terms of achieving its target of reducing annual staff costs which it has decreased to 56.0 % of total University income, comfortably below the ceiling of 59% of income, as stated in the University's financial strategy. The University has a ratio of academic staff FTEs to support staff FTEs of 1.22:1 and aims 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.

REPORT OF THE UNIVERSITY COURT

Estate – In taking forward a broad agenda of activities, 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 backlog maintenance has been reduced from £58 million to around £34.7 million. The University aims to continue to reduce this outstanding liability but recognises that the rate of improvement will be affected by the current funding situation. The University has achieved a 1% annual reduction in its total energy consumption of electricity and gas per m². The short term goal of achieving at least 5% annual reductions in its energy consumption per m² will remain.

This year has seen the first part of a 2 phase £7 million investment in the Library, ensuring that it remains operational throughout the main semesters. Space within the building will be reconfigured to ensure that there are sufficient appropriate reader spaces. Some decanting is required but has been planned in a way that keeps inconvenience to students and staff to a minimum. Phase 1 (75% of the total work by value) is due to be complete in September 2011 and involves partial work to level 1 and a complete redesign of level 2 including the replacement of plant across the building. Phase 2 will be undertaken in the summer of 2012 and involves lesser works to levels 3 and 4.

The University is also investing in a new Biomedical Sciences Research Complex at a projected cost of £15.1 million. The project involves the refurbishment of two former Purdie Building Chemistry teaching laboratories and a new annex forming the Biomedical Sciences Research Complex. The refurbishment of the Chemistry teaching laboratories was completed in May 2011. The new Annex is on track to be completed in October 2011 and within budget. The project aim is to achieve BREEAM "Outstanding".

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 broadly achieving its targets and is committed to a programme of fund-raising from alumni, other individuals, trusts and companies. On surplus generation, significant progress has been made in the last few years. An operational surplus equivalent to 3.4% of turnover was achieved, up from 3.1% in the last two years. The target for the University remains at 5% of total income in order to sustain the level of ongoing investment required in the longer term.

Achievements of the year

The University continues to achieve major successes in published league tables, maintaining its position as being recognised among the top 5 in the UK and the top University in Scotland. 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 (ELIR) in 2011 undertaken by the Quality Assurance Agency for Higher Education (QAA). 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 REF which will replace the RAE in 2013.

REPORT OF THE UNIVERSITY COURT

To enhance the transfer of its knowledge to industry and the wider community, the University has entered into the St Andrews Entrepreneurial Partnership. This will bring entrepreneurs into contact with academics and spark new ideas for the commercial application of intellectual property and knowhow. The objective is to transfer more of the University's acquired knowledge into Scottish Small and Medium Enterprises (SMEs), generating economic activity and benefit for all involved.

The University has embarked on a Sports Redevelopment Programme starting with an investment in the resurfacing of existing synthetic pitches. The full redevelopment of the Sports and Exercise Centre is planned to be phased over a period of around five years to suit funding availability and maintain the provision of the core sports facilities throughout that period. The overall project is planned to include refurbishment of existing buildings as well as a new indoor court facility.

People

As already highlighted, the University's success is based on the enthusiasm, dedication and talent of its academic staff along with the ability and professionalism of its 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 the importance of the whole of the University community to its continued success. The students are a vital part of that community and the effective partnership working that is in place with students on a wide variety of issues on academic, support and extra-curricular activities is an essential element in maintaining and enhancing the success of the whole community. The University takes great pride in what its students achieve - academically and through their very extensive charitable and voluntary activities.

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

Looking forward

The formal launch of the 600th Anniversary Celebrations took place on 25 February 2011 and will continue until St Andrew's Day in 2013. The main focus of the 600th anniversary fundraising campaign is to raise £100 million 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 University will strive to look after its students, preserve its heritage and enhance its teaching and research capabilities whilst recognising the very challenging financial future the university sector faces.

Ewan Brown
Senior Governor

14 October 2011

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 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;
- a comprehensive planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;

RESPONSIBILITIES OF COURT

- 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 12 & 13.

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 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 2011. There is divergence between University practice and The UK Corporate Governance Code, however, in the following two areas:

- Chairmanship of Court - Meetings of Court are presided over by the Rector, an elected representative of the students, in terms of the Universities (Scotland) Act 1889, section 5(5). Accordingly, the University cannot comply with best practice with regard to Chairmanship of Court. The University has, however, with the full consent of the Rector, instituted an arrangement for the election of one of the non-executive members of Court to act as 'Senior Governor'. The Senior Governor leads Court on all items of business associated with policy and resources and 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.
- 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.

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

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

Responsibility for the monitoring of risk lies with the Audit & 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.

CORPORATE GOVERNANCE

Court had five regularly scheduled meetings during the year ended 31 July 2011, in addition to which there was one Extraordinary Meeting of Court. Court has a number of committees with particular areas of responsibility, and its committee structure was subject to a substantial review to improve Court effectiveness in session 2009/10. As a result there are now four committees of Court – reduced from eleven in prior years. The decisions and recommendations of these committees are formally reported to Court. 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 Monitoring 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. 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. Three Assurance Groups report to Audit & Risk Committee.

- The Academic Monitoring Assurance Group oversees the implementation, management and monitoring of the University's quality enhancement strategy; 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

CORPORATE GOVERNANCE

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.

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

CORPORATE GOVERNANCE

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).

Having carried out a thorough review of its effectiveness during the year to 31 July 2009, Court has effected changes which have achieved fuller compliance with the Good Practice Benchmarks, with the above-stated exceptions regarding term of office and chairmanship of Court meetings.

Payment of creditors

It is the University's policy to obtain the best terms for all business and thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to adhere to specific payment terms. The average creditor payment period, calculated as a proportion of the year-end creditors to aggregate amounts invoiced during the year, was 29.4 days (2009/10: 27.6 days).

Equal Opportunities Policy

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

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

Ronald A Piper
Vice-Principal (Governance & Planning)

14 October 2011

CORPORATE SUSTAINABILITY REPORT

The University continues to address the issues of social responsibility, sustainability and climate change in its operations, teaching, research, investment management and community engagement as part of its Sustainability Policy. The following information is a summary of the University's performance. A more detailed report will be posted on the University's website later in the year.

The University's aim is to integrate social responsibility and sustainability aspects within day to day operations and this is reflected in its Strategic Plan. The policy of engaging staff, students and external stakeholders in its sustainable development agenda has helped the University become recognised as a leading exponent in this area. The University achieved a 'first class' honours in the People and Planet Green League which is a national ranking of University sustainable development performance and achieved a gold award for its student residences at New Hall and David Russell Apartments as part of Visit Scotland's Green Business Tourism Scheme. The University has also been recognised as the leading public sector body in the UK in 2010/2011 for projects designed to save energy and cut carbon emissions receiving a letter of commendation from the Carbon Trust. St Andrews has undertaken 111 green projects in total including boiler replacements, the addition of cooling systems for the university data centre and the replacement of lights with new energy efficient technology. The University has committed over £1.9 million to these initiatives which over their lifetime will save 7,700 tonnes of CO₂.

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

Utilities

The University's consumption of gas and electricity has increased during the year by 1.5%. This increase has been driven by an increase in the University's estate, with new buildings such as the Medical & Biological Sciences Building, the four new blocks at David Russell Apartments and the new Library Store becoming operational. The increased consumption also reflected the impact of another severe winter period which placed additional demands on heating systems across the University. When these additional burdens are taken into account, the University's underlying consumption stabilised, in a large part through its investment in efficient energy technology and insulation, partly funded by the SALIX programme through which the University reinvests savings generated through energy efficiency in further schemes to further reduce the University's carbon footprint.

Renewable Energy

The University has continued its consultation of the local community in the Boarhills and Kingsbarns area regarding the development of a 12MW wind farm and a formal planning application and supporting Environment Statement has been submitted to Fife Council. Two public open meetings were held in June 2011 to inform the communities on proposed turbine layout and design and to explain the nature of any environmental impacts.

The University has procured a former papermill in the nearby town of Guardbridge. It is planned that this site will accommodate a low carbon energy generation scheme to create hot water and electricity from a system of biomass and gas boilers. The scheme would enable the University to generate and distribute hot water and electricity, reducing the energy costs by up to 50% and carbon emissions by 30%.

Solar Thermal panels that provide hot water have been installed at New Hall, the new Medical & Biological Sciences Building and at the new blocks at David Russell Apartments (DRA) during the period. These panels complement the existing solar installation at Scott Block at DRA and the solar photovoltaic panels at the Museum of the University of St Andrews.

Waste Management

- The amount of waste recycled has stabilised at 65%. Despite a high proportion of waste being recycled, the overall volume of waste sent to landfill has risen due to new building occupation.
- Greater emphasis continues to be placed on re-use of waste on site and composting of food waste. End of term waste is being more effectively managed through schemes such as StAndReuse - a student run scheme designed to collect unwanted items at the end of one term and to offer them to new or returning students at the start of a new term.
- For construction waste, each new build and major refurbishment project also adopts a minimum recycling rate of 75% of the waste arising from the site.

Other Activities

- The St Andrews Prize for the Environment continues to act as an exemplar environmental initiative which recognises significant contributions to environmental conservation. This year's winning idea is an innovative cook-stove, which provides improved air quality and a clean economic source of electricity inside the home. Solid biomass fires, used by almost half the global population are inefficient and amongst the most greenhouse intensive systems in the world per unit of energy delivered. Clean energy company BioLite developed the cook-stove that slashes emissions by up to 95 percent and also provides electricity for charging LED lights, mobile phones and other devices used in rural areas where open fires are prevalent.

Teaching and Research in Sustainable Development

Demand for education for sustainable development continues to grow at the University with students undertaking undergraduate, taught post graduate and research degrees in the subject area. This has resulted in a lively and diverse student population that interact with a growing group of sustainable development researchers and educators. What we do as a University is of great interest to these, and indeed other, students and provides evidence of a joined up approach to sustainable development.

A milestone this year was the graduation of the first cohort of Masters of Sustainable Development degree students at the St Andrews day graduation. In addition, we also welcomed the second cohort on that degree with students being drawn from Austria, Canada, China, Ghana, Greece, New Zealand, Poland, Greece, the United States of America as well as the various countries of the United Kingdom.

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 over £97,000 for charities such as CHAS, Médecins Sans Frontières (MSF), Macmillan and many others. Of the 140+ 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.

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.

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. Internationally, there is also significant time given to support activities abroad, such as Project Zambia which saw a team of staff and students working in schools and orphanages during the summer in disadvantaged areas of Zambia. This year we plan to work closely with the Muona project which is collaborating with the health care system in Malawi, drawing on last year's visit from Malawian sabbaticals.

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.

In the coming year, the Students' Association anticipates working with the University on increased ethical awareness, scholarships for students from warzones and disaster areas, affordable accommodation, improved access to education, and community outreach, amongst many other initiatives. The Students' Association Sustainability Officer will be producing a "Green Guide", which will offer all students advice on sustainable practices. In addition we will be working with 'Transition St Andrews' and their priorities this year which are food, energy, transport and waste. Practically, this will mean focusing on areas such as the Inter-Hall Energy competition, the Student Garden, discouraging extensive flight travel and promoting local and sustainable food.

Neville Richardson
Master

14 October 2011

We have audited the Consolidated and University financial statements for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Court and Auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

We also report to you if, in our opinion the information given in the Report of the University Court is not consistent with the financial statements, if the University has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by Court in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University and of the Group as at 31 July 2011, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- funds from the Scottish 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.

Ernst & Young LLP
Registered auditor
Glasgow

14 October 2011

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

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 2011. 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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Agency arrangements

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

Leases and hire purchase contracts

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

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

Taxation

The University of St. Andrews is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

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.

Building internal services 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

Equipment

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

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

Where equipment is acquired with the aid of a 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.

Stocks

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

Cash Flows and Liquid Resources

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

Foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

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

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

Provisions

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

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

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

University Collections and Heritage Assets

The University holds significant collections comprising art and silver; historical instruments; books and other artefacts which, in 1993 with advice from the University Advisory Committee on Collections and Exhibitions were indicatively valued at £75.3 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 2011

	Notes	Year ended 31 July 2011	Year ended 31 July 2010
		£000	£000
INCOME			
Funding council grants	1	40,353	40,595
Tuition fees and education contracts	2	53,279	45,927
Research grants and contracts	3	38,290	37,624
Other income	4	32,119	30,251
Endowment & investment income	5	1,665	1,391
Total income		165,706	155,788
EXPENDITURE			
Staff costs	6	92,727	90,333
Other operating expenses		52,638	47,484
Depreciation	9	10,668	8,598
Interest and other finance costs	7	4,460	3,432
Total expenditure	8	160,493	149,847
Operating surplus after depreciation of tangible assets and before exceptional impairment		5,213	5,941
Exceptional impairment		0	(1,313)
Operating surplus after depreciation of tangible assets and exceptional impairment		5,213	4,628
Loss on disposal of fixed assets		(73)	(185)
Surplus on continuing operations after depreciation of assets, exceptional impairment, disposal of assets and taxation		5,140	4,443
Surplus for the year transferred to accumulated income in endowment funds	18	411	489
Surplus for the year retained within general reserves	19	5,551	4,932

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 2011

	Notes	Year ended 31 July 2011	Year ended 31 July 2010
		£000	£000
Surplus on continuing operations after depreciation of assets, exceptional impairment, disposal of assets and taxation		5,140	4,443
Appreciation of endowment assets	18	2,099	1,947
Endowment (disposals) / additions	18	(66)	709
Revaluation of fixed asset investment	19	(102)	102
Actuarial gain / (loss) in respect of pension schemes	30	790	(110)
Total recognised gains relating to the year		<u>7,861</u>	<u>7,091</u>
 Reconciliation			
Opening reserves and endowments		<u>66,773</u>	<u>59,682</u>
Total recognised gains relating to the year		<u>7,861</u>	<u>7,091</u>
Closing reserves and endowments		<u><u>74,634</u></u>	<u><u>66,773</u></u>

BALANCE SHEETS
As at 31 July 2011

	Notes	As at 31 July 2011		As at 31 July 2010	
		Consolidated	University	Consolidated	University
Fixed assets		£000	£000	£000	£000
Tangible Assets	9	225,819	220,647	207,480	201,957
Investments	10	388	2,354	737	2,453
		<u>226,207</u>	<u>223,001</u>	<u>208,217</u>	<u>204,410</u>
Endowment assets	11	<u>35,713</u>	<u>35,713</u>	<u>34,091</u>	<u>34,091</u>
Current assets					
Stock	12	473	422	512	487
Debtors	13	17,551	21,038	14,570	18,211
Cash at bank and in hand	24	6,944	6,718	15,102	14,778
		<u>24,968</u>	<u>28,178</u>	<u>30,184</u>	<u>33,476</u>
Less: Creditors : amounts falling due within one year	14	<u>(40,466)</u>	<u>(41,671)</u>	<u>(38,187)</u>	<u>(39,403)</u>
Net current liabilities		<u>(15,498)</u>	<u>(13,493)</u>	<u>(8,003)</u>	<u>(5,927)</u>
Total assets less current liabilities		246,422	245,221	234,305	232,574
Less: Creditors: amounts falling due after more than one year	15	(91,665)	(91,528)	(92,278)	(92,183)
Less: Provision for liabilities	16	(428)	(428)	(165)	(165)
Net assets excluding pension liability		<u>154,329</u>	<u>153,265</u>	<u>141,862</u>	<u>140,226</u>
Net pension liability	30	<u>(20,180)</u>	<u>(20,180)</u>	<u>(21,660)</u>	<u>(21,660)</u>
Total net assets including pension liability		<u>134,149</u>	<u>133,085</u>	<u>120,202</u>	<u>118,566</u>
Deferred capital grants	17	<u>59,515</u>	<u>59,135</u>	<u>53,429</u>	<u>53,041</u>
Endowments					
Expendable	18	1,130	1,130	796	796
Permanent	18	34,583	34,583	33,295	33,295
		<u>35,713</u>	<u>35,713</u>	<u>34,091</u>	<u>34,091</u>
Reserves					
Income and expenditure account excluding pension reserve	19	59,101	58,417	54,240	52,992
Pension reserve	30	<u>(20,180)</u>	<u>(20,180)</u>	<u>(21,660)</u>	<u>(21,660)</u>
Income and expenditure account including pension reserve		38,921	38,237	32,580	31,332
Revaluation Reserve	19	0	0	102	102
		<u>38,921</u>	<u>38,237</u>	<u>32,682</u>	<u>31,434</u>
TOTAL FUNDS		<u>134,149</u>	<u>133,085</u>	<u>120,202</u>	<u>118,566</u>

Approved by the University Court of the University of St. Andrews on 14 October 2011 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 2011

	Notes	Year ended 31 July 2011	Year ended 31 July 2010
		£000	£000
Cash flow from operating activities	20	15,404	13,833
Returns on investments and servicing of finance	21	(3,050)	(3,170)
Capital expenditure and financial investment	22	(19,122)	(24,919)
Management of liquid resources	23	0	8,044
Decrease in cash in period		<u><u>(6,768)</u></u>	<u><u>(6,212)</u></u>
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in period		(6,768)	(6,212)
Change in short term deposits	23	<u>0</u>	<u>(8,044)</u>
Change in net debt	24	(6,768)	(14,256)
Net debt at 1 August		(75,293)	(61,037)
Net debt at 31 July	24	<u><u>(82,061)</u></u>	<u><u>(75,293)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

1 FUNDING COUNCIL GRANTS	Year ended 31 July 2011	Year ended 31 July 2010 As restated
	£000	£000
SFC recurrent teaching grant	18,955	18,959
SFC recurrent research grant	18,348	18,115
Other SFC grants	1,245	1,847
	<u>38,548</u>	<u>38,921</u>
Deferred capital grants released in the year:		
Buildings	17 1,449	1,166
Equipment	17 356	508
	<u>40,353</u>	<u>40,595</u>
£1.1 million of funds relating to pooling initiatives have been reclassified as research income.		
 2 TUITION FEES AND EDUCATION CONTRACTS	 Year ended 31 July 2011	 Year ended 31 July 2010
	£000	£000
Full-time home and EU students	13,628	12,929
Full-time international students	32,886	27,370
Part-time home and EU students	285	128
Part-time international students	53	223
Research training support grants	3,709	2,824
Short course fees	2,504	2,283
Other fees	214	170
	<u>53,279</u>	<u>45,927</u>
 3 RESEARCH GRANTS AND CONTRACTS	 Year ended 31 July 2011	 Year ended 31 July 2010 As restated
	£000	£000
Research Councils	19,481	20,609
UK government bodies, local and health authorities	6,324	4,693
UK based charities	7,829	3,552
UK industry, commerce and public corporations	1,204	1,532
EU government bodies	3,706	3,524
EU other	664	856
Other overseas	3,255	1,979
Other sources	38	34
	<u>42,501</u>	<u>36,779</u>
Income deferred to match capitalised purchases	17 (6,290)	(896)
Release of deferred capital grant for research	17 2,079	1,741
	<u>38,290</u>	<u>37,624</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

4 OTHER INCOME		Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Residences, catering and conferences		21,658	21,465
Consultancy, knowledge transfer and cultural engagement		2,780	2,044
Released from deferred capital grants	17	628	405
Distance Learning		976	894
Gifts & Donations		781	399
Academic Conferences		684	648
Sports Facility Income		501	410
Consumables and services recharged to research partner		214	256
Royalty Income		510	353
Other operating income		3,387	3,377
		<u>32,119</u>	<u>30,251</u>
5 ENDOWMENT AND INVESTMENT INCOME		Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Income from permanent endowments	18	1,276	1,087
Income from short-term investments		249	454
Net return on pension scheme	30	140	(150)
		<u>1,665</u>	<u>1,391</u>
6 STAFF COSTS		Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Staff Costs:			
Salaries		76,345	74,515
Social security costs		5,839	5,665
Other pension costs		10,543	10,153
Total		<u>92,727</u>	<u>90,333</u>
Emoluments of Principal		£000	£000
Salary		225	225
Benefits in kind		1	18
Pension contributions to USS		36	35

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

6 STAFF COSTS (Cont'd)

	Year ended 31 July 2011	Year ended 31 July 2010
Remuneration of higher paid staff, excluding employer's pension contributions	Number	Number
£70,001 - £80,000	35	38
£80,001 - £90,000	36	36
£90,001 - £100,000	22	20
£100,001 - £110,000	9	7
£110,001 - £120,000	7	7
£120,001 - £130,000	2	3
£130,001 - £140,000	2	1
£140,001 - £150,000	1	1
£150,001 - £160,000	1	1
£200,001 - £210,000	1	1
£220,001 - £230,000	1	1
	117	116

	Year ended 31 July 2011	Year ended 31 July 2010
Average staff numbers by major category:	Number	Number
Academic	865	884
Academic / teaching support services	235	227
Research	346	327
Administration	280	263
Premises	190	190
Catering & residences	244	231
	2,160	2,122

7 INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Interest paid to endowments	10	10
Loans repayable wholly or partly in more than five years	4,450	3,422
	4,460	3,432

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Academic Schools	59,066	58,820
Academic support services	11,527	8,172
Central services	15,081	16,479
Premises	17,038	15,340
Research grants and contracts	30,751	26,841
Residences, catering and conferences	15,489	16,115
Other expenses	11,541	8,080
	160,493	149,847

Other operating expenses include:

External auditors remuneration in respect of audit services	70	56
External auditors remuneration in respect of non-audit services	69	33
Internal audit	69	69
Hire of plant and equipment	80	46

9 TANGIBLE FIXED ASSETS

Consolidated	Land & Buildings £'000	Assets under Constructio £'000	Equipment & Furniture £'000	Total £000
Cost				
At 1 August 2010	216,596	12,728	56,626	285,950
Additions	1,153	22,527	5,649	29,329
Transfers	15,177	(16,396)	1,219	0
Disposals	(170)	0	(352)	(522)
At 31 July 2011	232,756	18,859	63,141	314,757
Depreciation				
At 1 August 2010	33,106	0	45,364	78,470
Charge for Year	6,099	0	4,569	10,668
Disposals	(110)	0	(90)	(200)
At 31 July 2011	39,095	0	49,843	88,938
Net Book Value				
At 31 July 2011	193,661	18,859	13,299	225,819
At 31 July 2010	183,490	12,728	11,262	207,480
Financed by capital grant	54,123	3,756	5,393	63,272
Other	139,538	15,103	7,906	162,547
Net book value at 31 July 2011	193,661	18,859	13,299	225,819

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

9 TANGIBLE FIXED ASSETS (Cont'd)

University	Land & Buildings £'000	Assets under Construction £'000	Equipment & Furniture £'000	Total £000
Cost				
At 1 August 2010	210,312	12,674	55,828	278,814
Additions	1,153	22,451	5,647	29,251
Transfers	15,045	(16,264)	1,219	0
Disposals	(170)	0	(109)	(279)
At 31 July 2011	226,340	18,861	62,585	307,786
Depreciation				
At 1 August 2010	31,980	0	44,877	76,857
Charge for Year	5,981	0	4,501	10,482
Disposals	(110)	0	(90)	(200)
At 31 July 2011	37,851	0	49,288	87,139
Net Book Value				
At 31 July 2011	188,489	18,861	13,297	220,647
At 31 July 2010	178,332	12,674	10,951	201,957
Financed by capital grant	53,744	3,756	5,393	62,893
Other	134,745	15,105	7,904	157,754
Net book value at 31 July	188,489	18,861	13,297	220,647

Included within fixed assets is an amount of £3,144,505 (2009/10 - £2,779,750) of capitalised finance costs. £219,628 of finance costs were capitalised during 2010/11 while £54,934 was expensed in line with depreciation. A monthly capitalisation rate was used which averaged at 5.10% for the year. Buildings and equipment with a cost of £91.1 million and a net book value of £77.7 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

	As at 31 July 2011		As at 31 July 2010	
	Consolidated £000	University £000	Consolidated £000	University £000
Subsidiary companies	0	1,966	0	1,716
Other fixed asset investments	388	388	737	737
	388	2,354	737	2,453

Movements on subsidiary companies included £0.250 million additional share capital in SMRU Ltd. Movements in other fixed asset investments relate to donated shares held for resale, the proceeds of which are to be used on specific capital projects.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

11 ENDOWMENT ASSET INVESTMENTS

	As at 31 July 2011	As at 31 July 2010
	£000	£000
Consolidated and University		
Balance as at 1 August 2010	34,091	31,924
Additions	711	2,446
Disposals	(2,422)	0
Appreciation	2,099	1,947
Debtor movement	(156)	(2,642)
Cash movement	1,390	416
Balance as at 31 July	35,713	34,091
Represented by:		
Fixed Interest Stocks	0	0
Equities	29,192	28,478
Land & Property	900	1,225
Amounts included within short term deposits	3,280	3,466
Creditors	(6)	(35)
Bank, Building Society & Other Deposits	2,347	957
Total Endowment Assets	35,713	34,091

12 STOCKS

	As at 31 July 2011		As at 31 July 2010	
	Consolidated £000	University £000	Consolidated £000	University £000
Stocks of consumables	473	422	512	487

13 DEBTORS

	As at 31 July 2011		As at 31 July 2010	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one				
Trade debtors	3,245	2,330	2,985	2,187
Debts due from students	922	922	512	512
Research debt	9,748	9,748	7,244	7,244
Prepayments and accrued income	2,728	2,728	2,934	2,934
Other debtors	908	901	895	891
Amounts due from subsidiary	0	4,409	0	4,443
	17,551	21,038	14,570	18,211

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 July 2011		As at 31 July 2010	
	Consolidated £000	University £000	Consolidated £000	University £000
Payments received in advance	12,851	12,851	10,495	10,495
Research grants received on account	9,499	9,499	10,559	10,559
Trade creditors	5,528	5,249	3,680	3,401
Social security and other taxation payable	2,185	2,155	2,119	2,084
Amounts owed to group undertakings	0	1,580	0	1,605
Accruals and deferred income	10,403	10,337	11,334	11,259
	40,466	41,671	38,187	39,403

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	As at 31 July 2011		As at 31 July 2010	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured loan	91,257	91,257	91,257	91,257
Cumulative convertible pref shares	95	0	95	0
Other long term creditors	313	271	926	926
	91,665	91,528	92,278	92,183

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	0	0	0	0
Due after more than one year	91,257	91,257	91,257	91,257

Unsecured loans repayable by 2016	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 2011

16 PROVISIONS FOR LIABILITIES

Consolidated and University	FSSU Unfunded Pension £000	Early Retirement & Restructuring Provision £000	Total £000
At 1 August 2010	39	126	165
Utilised in year	(5)	(126)	(131)
Transfer from income and expenditure account	3	391	394
At 31 July 2011	37	391	428

Towers Watson, an independent firm of actuaries, carried out a valuation of the existing pension provision at 31 July 2011. Persons retiring under the F.S.S.U. scheme, or who have already retired under the scheme, are entitled as of right to additional benefits that may arise under the F.S.S.U. Supplementation Scheme. These additional benefits are unfunded and are paid, as and when they arise.

17 DEFERRED CAPITAL GRANTS Consolidated	SFC £000	Research Grants £000	Other Grants £000	Total £000
As 1 August 2010				
Buildings	35,940	0	12,295	48,235
Equipment	922	3,416	856	5,194
Total	36,862	3,416	13,151	53,429
Grants receivable				
Buildings	3,688	3,756	359	7,803
Equipment	129	2,534	138	2,801
Total	3,817	6,290	497	10,604
Disposals				
Buildings	(6)	0	0	(6)
Equipment	0	0	0	0
Total	(6)	0	0	(6)
Released to income and expenditure				
Buildings (notes 1, 3 and 4)	(1,449)	0	(461)	(1,910)
Equipment (notes 1, 3 and 4)	(356)	(2,079)	(167)	(2,602)
Total	(1,805)	(2,079)	(628)	(4,512)
At 31 July 2011				
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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

17 DEFERRED CAPITAL GRANTS (Cont'd)	SFC	Research grants	Other grants	Total
University	£000	£000	£000	£000
As at 1st August 2010				
Buildings	35,552	0	12,295	47,847
Equipment	922	3,416	856	5,194
Total	36,474	3,416	13,151	53,041
Grants receivable				
Buildings	3,688	3,756	359	7,803
Equipment	129	2,534	138	2,801
Total	3,817	6,290	497	10,604
Disposals				
Buildings	(6)	0	0	(6)
Equipment	0	0	0	0
Total	(6)	0	0	(6)
Released to income and expenditure account				
Buildings	(1,441)	0	(461)	(1,902)
Equipment	(356)	(2,079)	(167)	(2,602)
Total	(1,797)	(2,079)	(628)	(4,504)
At 31st July 2011				
Buildings	37,793	3,756	12,193	53,742
Equipment	695	3,871	827	5,393
Total	38,488	7,627	13,020	59,135

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

18 ENDOWMENTS

Consolidated and University

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2011 Total £'000	2010 Total £'000
Balances at 1 August 2010						
Capital	2,486	29,873	32,359	796	33,155	31,007
Accumulated income	0	936	936	0	936	917
	<u>2,486</u>	<u>30,809</u>	<u>33,295</u>	<u>796</u>	<u>34,091</u>	<u>31,924</u>
Additions / Disposals	85	(931)	(846)	780	(66)	709
Investment income	19	1,257	1,276	0	1,276	1,087
Expenditure	(19)	(1,222)	(1,241)	(446)	(1,687)	(1,576)
	0	35	35	(446)	(411)	(489)
Increase/(decrease) in market value of investment	171	1,928	2,099	0	2,099	1,947
At 31 July 2011	<u><u>2,742</u></u>	<u><u>31,841</u></u>	<u><u>34,583</u></u>	<u><u>1,130</u></u>	<u><u>35,713</u></u>	<u><u>34,091</u></u>
Represented by:						
Capital	2,742	30,870	33,612	1,130	34,742	33,155
Accumulated Income	0	971	971	0	971	936
	<u>2,742</u>	<u>31,841</u>	<u>34,583</u>	<u>1,130</u>	<u>35,713</u>	<u>34,091</u>

19 MOVEMENT ON RESERVES

	Consolidated £'000	University £'000
Income and expenditure account		
At 1 August 2010	54,240	52,992
Surplus retained for the year	5,551	6,115
Deduct pension surplus	(690)	(690)
At 31 July 2011	<u><u>59,101</u></u>	<u><u>58,417</u></u>
Pension Reserve		
At 1 August 2010	(21,660)	(21,660)
Actuarial gain	790	790
Surplus retained within reserves	690	690
At 31 July 2011	<u><u>(20,180)</u></u>	<u><u>(20,180)</u></u>
Revaluation Reserve		
At 1 August 2010	102	102
Revaluation loss	(102)	(102)
At 31 July 2011	<u><u>0</u></u>	<u><u>0</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

20 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Surplus after depreciation of assets, impairment and disposal of assets	5,140	4,443
Depreciation	10,668	8,598
Deferred capital grants released to income	(4,518)	(3,820)
Investment income	(1,665)	(1,391)
Exceptional impairment of fixed asset	0	1,313
Loss on disposal of tangible fixed assets	73	185
Impairment of fixed asset investment	93	0
Interest payable	4,460	3,432
Decrease / (Increase) in stocks	39	(11)
Increase in debtors	(2,981)	(2,727)
Increase in creditors	4,382	4,410
Increase in provisions	263	11
Pension costs less contributions payable	(550)	(610)
Net cash inflow from operating activities	15,404	13,833

21 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Income from endowments	1,276	1,087
Other interest received	249	454
Interest paid	(4,575)	(4,711)
	(3,050)	(3,170)

22 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Payments made to acquire tangible fixed assets	(31,532)	(34,423)
Proceeds from sale of tangible fixed assets	(55)	(127)
Receipts from sales of fixed asset investments	280	0
Payments to acquire endowment assets	(711)	(2,446)
Receipts from sales of endowment asset investments	2,422	0
Deferred capital grants received	10,541	11,368
Endowments received	(67)	709
	(19,122)	(24,919)

23 MANAGEMENT OF LIQUID RESOURCES	Year ended 31 July 2011 £000	Year 31 July £000
Reduction in Short term deposits	0	(8,044)
	0	(8,044)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

24 ANALYSIS OF CHANGE IN NET DEBT	At 1 August 2010 £000	Cash Flows £000	At 31 July 2011 £000
Cash			
At Bank and in hand	15,102	(8,158)	6,944
Endowment cash	957	1,390	2,347
	<u>16,059</u>	<u>(6,768)</u>	<u>9,291</u>
Debt due after one year	(91,257)	0	(91,257)
Preference Shares	(95)	0	(95)
	<u>(75,293)</u>	<u>(6,768)</u>	<u>(82,061)</u>

25 CAPITAL AND OTHER COMMITMENTS
Consolidated and University

Provision has not been made for the following capital commitments at 31st July 2011

	As at 31 July 2011		As at 31 July 2010	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	2,781	2,781	19,767	19,767
Authorised but not contracted for	16,305	16,305	12,554	12,554
	<u>19,086</u>	<u>19,086</u>	<u>32,321</u>	<u>32,321</u>

26 LEASE OBLIGATIONS
Consolidated and University

	As at 31 July 2011		As at 31 July 2010	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Annual rentals under operating leases are as follows:				
Leases expiring less than five years				
Equipment	111	111	22	22
	<u>111</u>	<u>111</u>	<u>22</u>	<u>22</u>

27 POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

28 AMOUNTS DISBURSED AS AN AGENT:

Consolidated and University

Discretionary fund

	Year ended 31 July 2011		Year ended 31 July 2010	
Income	£'000	£'000	£'000	£'000
Excess of income over expenditure at 1 August 2010	13		0	
Funding Council grants	323		311	
Transfers from childcare fund	7		1	
Interest earned	0	343	0	312
Expenditure				
Disbursed to students			(299)	
Fund running cost	(314)	(314)	0	(299)
Excess of income over expenditure at 31 July 2011		<u>29</u>		<u>13</u>

Childcare fund

	£'000	£'000	£'000	£'000
Excess of income over expenditure at 1 August 2010	2		2	
Funding Council grants	25		21	
Interest earned	0	27	0	23
Expenditure				
Transfers to Hardship Fund	(7)		(1)	
Disbursed to students	(17)		(19)	
Fund running cost	(1)	(25)	(1)	(21)
Excess of income over expenditure at 31 July 2011		<u>2</u>		<u>2</u>

Part-time discretionary fund

	£'000	£'000	£'000	£'000
Excess of income over expenditure at 1 August 2010	0		0	
Funding Council grants	0		6	
Interest earned	0	0	0	6
Expenditure				
Transfers to Hardship Fund	0		0	
Disbursed to students	0	0	(6)	(6)
Excess of income over expenditure at 31 July 2011		<u>0</u>		<u>0</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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

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.

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 externally funded and 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; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice

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 in addition to its own 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 latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first 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 provision. 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 2011 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).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

30 PENSION ARRANGEMENTS (Cont'd)

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% annum (plus 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 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – no age rating

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 assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,843 million and the value of the scheme's technical provision was £28,135 million indicating a surplus of £707 million. The assets therefore were sufficient to cover 103% 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 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004, the scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% 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 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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 provision except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also 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.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries. The trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16%, from 14% of the pensionable salaries from 1 October 2009.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

30 PENSION ARRANGEMENTS (Cont'd)

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken all this into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated the funding level under the scheme-specific funding regime had fallen from 103% to 98% (a deficit of £700 million). Over the past 12 months, the funding level has improved from 91% (as at March 2010) to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis 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 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

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 Scheme Liabilities
Valuation rate of interest	Increase / decrease by 0.5%	Decrease / increase by £2.2 billion
Rate of pension increases	Increase / decrease by 0.5%	Increase / decrease by £1.5 billion
Rate of salary growth	Increase / decrease by 0.5%	Increase / decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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 bias towards 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

30 PENSION ARRANGEMENTS (Cont'd)

Before deciding to take investment risk relative to the liabilities, the Trustees receive advice from its investment consultant and the scheme actuary, and considers the view of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The Trustees believe that this, together with the ongoing flow of new entrants in the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed directly through to the contribution rate 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.

The next formal triennial actuarial valuation is as at 31 March 2011 and will incorporate the allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the University had 1,055 members participating in the scheme.

The total USS pension cost for the University was £7.954 million (2009/10 - £7.633 million). This includes £0.666 million (2009/10 - £0.652 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 £3.171 million (2009/10 - £3.106 million) and £0.446 million (2009/10 £0.487 million) in respect of additional voluntary contributions.

St. Andrews University Superannuation & Life Assurance Scheme

The University is required to disclose the present value of the scheme assets and liabilities. A full actuarial valuation of the scheme was carried out at 31 July 2009 and updated to 31 July 2011 by a qualified independent actuary. The major assumptions used by the actuary, on the Projected Unit method, were:

	Year ended 31 July 2011	Year ended 31 July 2010	Year ended 31 July 2009
Rate of increase in salaries	4.60%	4.30%	4.50%
Rate of increase in benefits accruing prior to 6 April 2006	3.60%	3.30%	3.50%
Rate of increase in benefits accruing from 6 April 2006	2.50%	2.50%	2.50%
Discount Rate	5.40%	5.40%	6.00%
Inflation assumption	3.60%	3.30%	3.50%

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 2011	As at 31 July 2010
Retiring today:		
Males	20.9	20.8
Females	23.5	23.4
Retiring in 20 years:		
Males	22.8	22.7
Females	25.3	25.2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

30 PENSION ARRANGEMENTS (Cont'd)

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 2011	Value at 31 July 2011	Long term rate of return expected at 31 July 2010	Value at 31 July 2010	Long term rate of return expected at 31 July 2009	Value at 31 July 2009 £000
Equities	7.5%	41,084	7.70%	33,956	8.40%	28,790
Alternatives	7.5%	20,236	7.70%	18,284	8.40%	14,880
Cash	3.6%	-	3.90%	-	1.00%	20
		<u>61,320</u>		<u>52,240</u>		<u>43,690</u>

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

	As at 31 July 2011 £000	As at 31 July 2010 £000
Total market value of scheme assets	61,320	52,240
Present value of scheme liabilities	<u>(81,500)</u>	<u>(73,900)</u>
Deficit in scheme - Net pension liability	<u>(20,180)</u>	<u>(21,660)</u>

Amounts charged to income and expenditure account:

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Current service cost	3,170	2,960
Past service cost	<u>50</u>	<u>60</u>
Total operating charge	<u>3,220</u>	<u>3,020</u>

Net finance return / (charge) on pension scheme

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Expected return on pension scheme assets	4,060	3,710
Interest on pension scheme liabilities	<u>(3,920)</u>	<u>(3,860)</u>
Net credit to financing cost	<u>140</u>	<u>(150)</u>

Amounts recognised in the statement of total recognised gains and losses

	As at 31 July 2011 £000	As at 31 July 2010 £000
Gain on scheme assets	3,920	3,850
Experience gain arising on scheme liabilities	270	1,940
Changes in assumptions underlying the present value of scheme liabilities	<u>(3,400)</u>	<u>(5,900)</u>
Actuarial gain/(loss) recognised in statement of total recognised gains & losses	<u>790</u>	<u>(110)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

30 PENSION ARRANGEMENTS (Cont'd)

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

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Deficit on scheme at 1 August	(21,660)	(22,010)
<i>Movement in year:</i>		
Current service cost	(3,170)	(2,960)
Contributions	3,770	3,630
Past service costs	(50)	(60)
Other finance income	140	(150)
Actuarial gain/(loss)	790	(110)
Deficit on scheme at 31 July	(20,180)	(21,660)

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

	Year ended 31 July 2011	Year ended 31 July 2010
	<u>20.23%</u>	<u>20.23%</u>

	2011	2010	2009	2008	2007
History of experience gains and (losses)					
Difference between the expected and actual return on scheme assets					
Amount (£'000)	3,920	3,850	(4,910)	(5,250)	1,080
Percentage of scheme assets	6.5%	7.4%	11.2%	12.0%	4.0%
Experience gains and losses on scheme liabilities					
Amount (£'000)	270	1,940	380	(2,440)	(790)
Percentage of the present value of the scheme liabilities	0.6%	2.6%	0.6%	3.9%	1.5%
Total amount recognised in the statement of total recognised gains and losses					
Amount (£'000)	790	(110)	(3,230)	(11,090)	8,610
Percentage of the present value of the scheme liabilities	1.0%	0.2%	4.9%	17.5%	15.9%

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 Property development
University of St Andrews Gateway Ltd	£2	Scotland	Laser Lighting
Photosynergy Ltd	£200	Scotland	Marine Science
SMRU Ltd.	£200	Scotland	Marine Science
SOI Ltd	£2	Scotland	Retail
University of St Andrews Property Services Ltd	£2	Scotland	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

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.