



University of Dundee

REPORTS & FINANCIAL STATEMENTS 2010/11



Reports and financial statements for the year ended 31 July 2011

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Operating and Financial Review

■ Scope of the Financial Statements

The financial statements, presented to the University Court, have been prepared on a consolidated basis and include results of the University of Dundee and its subsidiary companies. Details of the Group are listed within note 32 of the financial report.

■ Results for the year

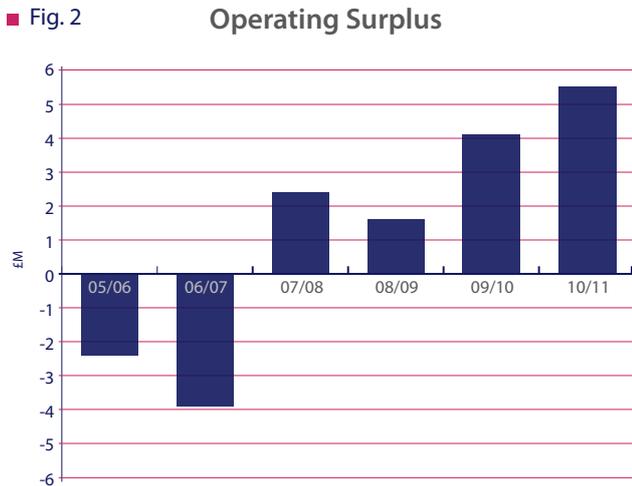
The University continued to improve its financial position, with an operating surplus for the year of £5.6m. This has been achieved through a combination of improved income generation and cost management. As a result of costs associated with the Voluntary Severance scheme, the overall surplus was lower than the previous year. The Groups summarised results are as follows:

■ Fig. 1

	10/11 £m	09/10 £m
Income	229.2	219.1
Staff costs	(130.3)	(129.2)
Other operating expenses and depreciation	(93.3)	(84.9)
Endowments	0.8	0.2
Operating surplus (before interest and finance costs)	6.4	5.2
Interest and finance costs	(0.8)	(1.1)
Operating surplus	5.6	4.1
Restructuring costs / exceptional costs	(3.8)	(0.2)
Gain on disposal	1.2	-
Associate	(0.5)	(0.6)
Surplus for the year	2.5	3.3

The University is nearing the end of the period covered by its Strategic Framework to 2012 and is now in the process of drafting a new University Strategy, which will be approved in June 2012 and sets out the University's future direction to 2018. In the meantime we continue to monitor performance against a number of key targets in the Framework in order to ensure that the University delivers its mission in a complex and challenging world.

The operating surplus of £5.6m equates to 2.4% of income, which represents significant progress towards the University's primary sustainability target of 3%. The chart below illustrates the progress made in recent years towards generation of a sustainable surplus.



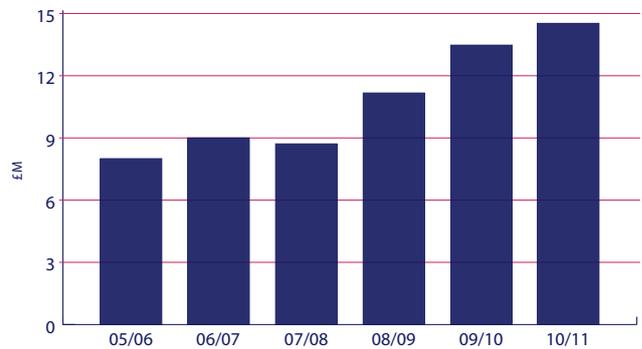
Income

In line with the University's key strategic objective of year-on-year income growth, particularly in tuition fees and research grants, income for the year increased by 5% to £229m.

Grants from the Scottish Funding Council (SFC) continue to fall as a percentage of total income, now standing at 36%. After a reduction in 2009/10, the teaching grant fell again by £1m, mainly as a result of a significant reduction in the number of teacher training places funded by the Scottish Government. The research grant recovered to its 2008/09 level, as a result of the ending of transitional funding provided to other institutions arising from the outcomes of the 2008 Research Assessment Exercise.

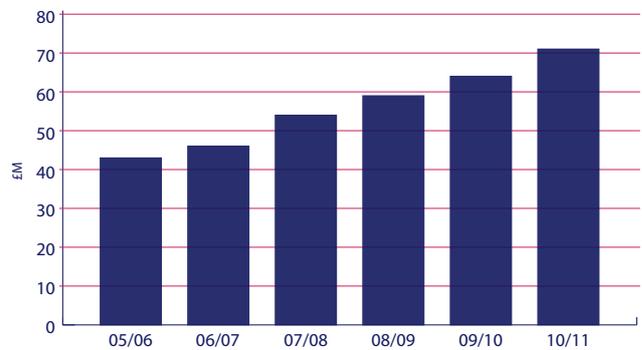
Tuition fees and education contracts rose more slowly than the previous year, with non-EU fees rising by £1m. The proportion of our income generated by non-EU fees remains relatively low compared with comparator institutions in the sector, at just over 6% of our total income. The University continues to target further growth in this area, although these efforts are being significantly hampered by difficulties experienced by students in relation to visa regulations and to some extent by the University's subject mix.

Fig. 3 Non - EU Tuition Fees

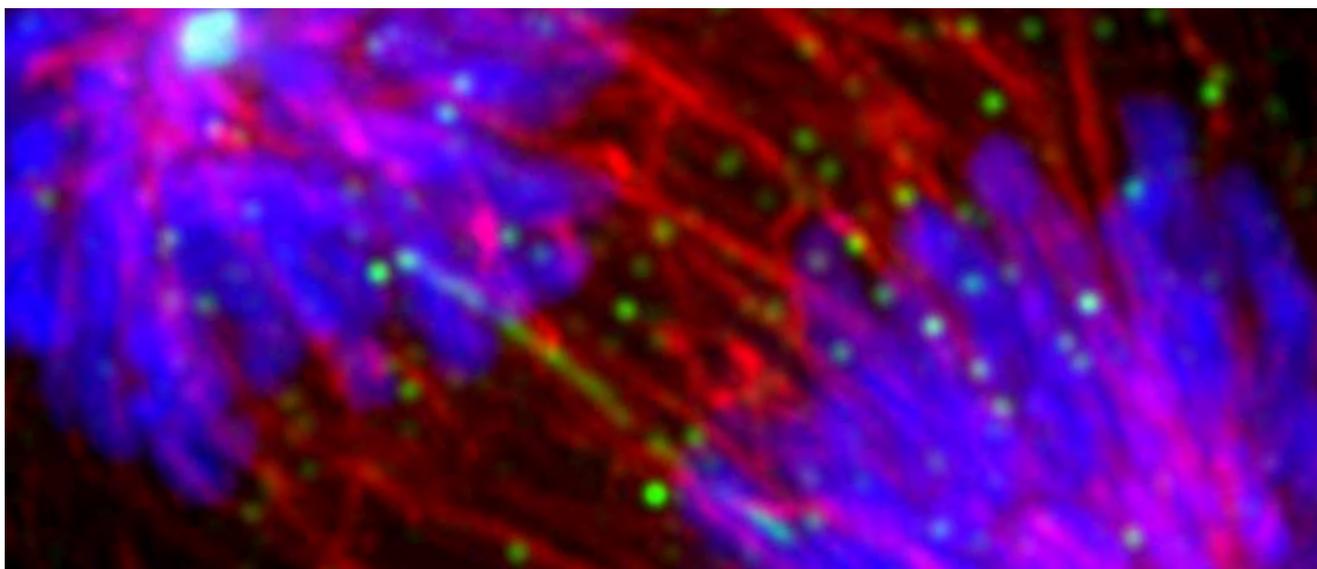


Research income continued to out-perform the strategic target, with 13% growth. Performance on grants from Research Councils was particularly strong, with 29% growth seeing this funding category overtaking UK Charities. However, the value of research grants awarded during 2010/11 fell significantly, in contrast to year-on-year growth in previous years due to the challenges faced by research councils and other funders as a result of the current economic climate, and we expect to see this reflected in the operating result in future years.

Fig. 4 Research Grants & Contracts



The University succeeded in meeting its disposals target, despite the local property market continuing to be very weak. The University remains committed to reducing its overall campus footprint and thereby releasing capital as well as reducing running costs.

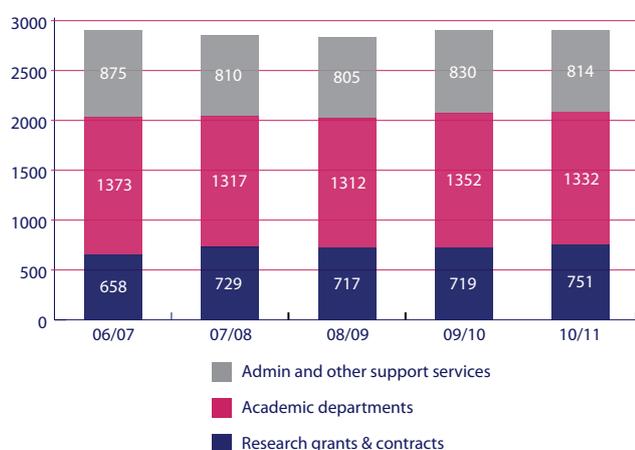


Expenditure

Total expenditure, before exceptional costs, rose by 4% in the year, with the largest increases in non-staff costs. Staff costs fell as a percentage of total income from 59% to 57% and income per academic full time equivalent (fte) rose by 6% from £162k to £172k, which represents a very positive trend. Although a lower increase than previous years, pension costs still rose by 6% in the year.

As the diagram below illustrates, total staff numbers employed (fte) have been largely static over the past 5 years. The mix has changed, however, with the number of staff employed directly on research grants increasing by 14%, off-set by reductions in other categories.

Fig. 5 Staff Numbers



The University gives full consideration to applications for employment from disabled persons. Where existing members of staff become disabled, it is the University's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate. The University is actively engaged in improving Equal Opportunities and Diversity awareness of its staff through mandatory training, including elements relating to disability.

Other operating costs increased by £4.9m (7%) in the year, of which £3.3m (9%) related to academic activity (including research) and £1.7m (5%) to administrative and other support services.

The depreciation charge for the year increased from £14m to £17.5m, mainly as a result of short-life research equipment. Interest and other finance costs fell to £0.8m from £1.1m, as a result of a reduction in pension finance costs under FRS17. Loan interest costs remain low at £0.1m as a result of the University's strong cash position.

The overall surplus for the year of £2.5m takes account of the University's share of the loss in Dundee Student Villages (DSV). DSV is a separate entity which was established to build and operate the University's student residences. In line with the DSV operating model, accounting losses are expected during the first years of operation and it continues to meet its primary performance indicator of remaining cash positive.

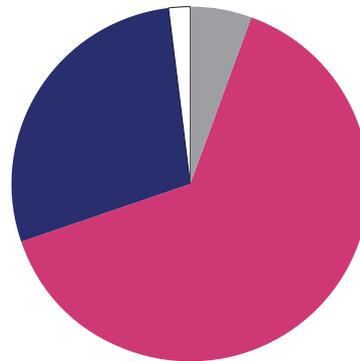
Capital Expenditure Programme

The cash expenditure on fixed assets was £16m. This is slightly lower than previous years and reflects decisions made during the year on a revised capital programme. Within a context of restricted capital funding, the University has chosen to focus primarily on maintaining existing buildings to the highest possible standard.

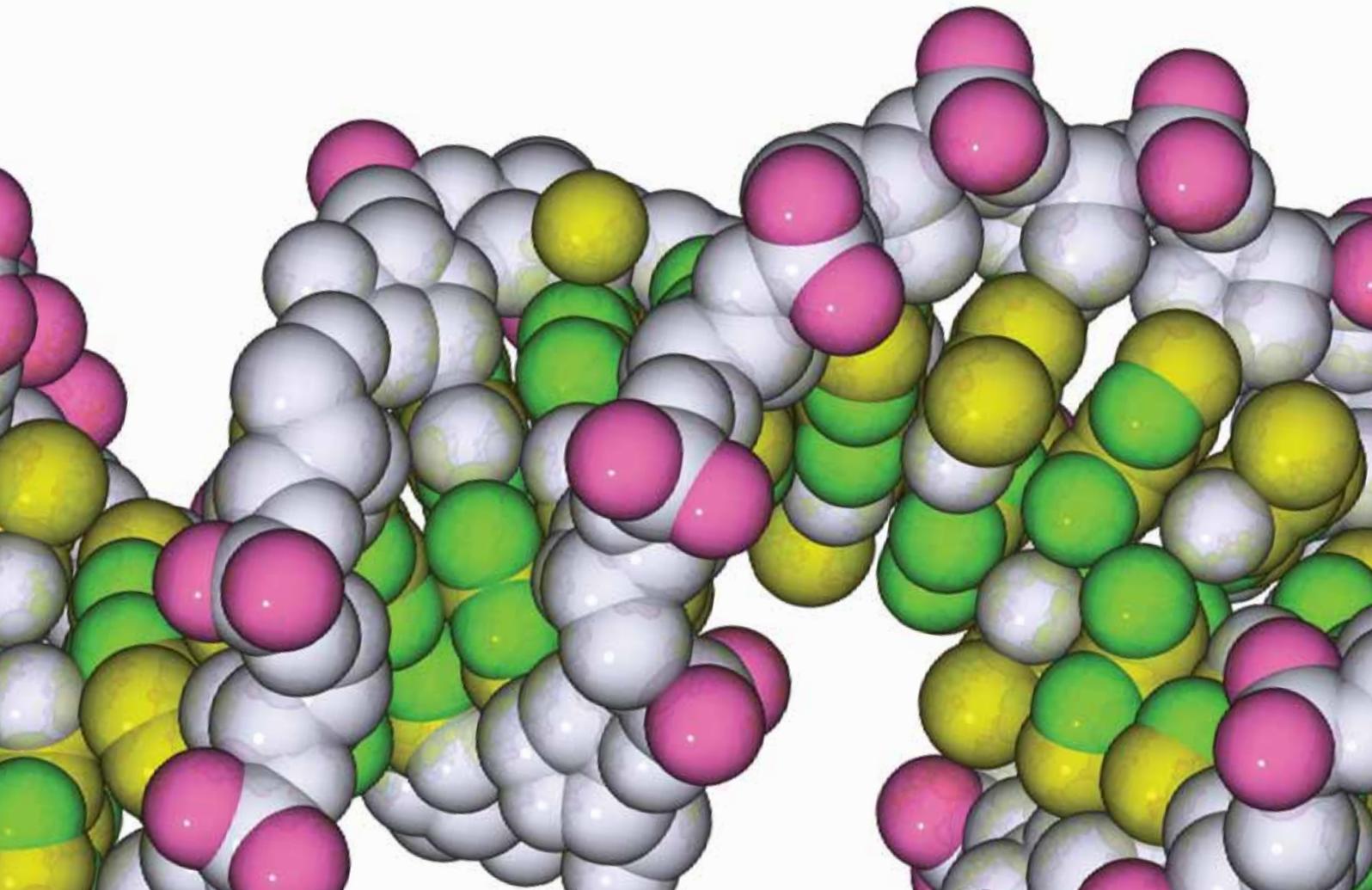
A key measure for the University is the proportion of the estate by floor area classified as new or sound. This currently stands at 69%, as illustrated below, compared with 67% in the previous year. The target is to increase this to 80% by 2018. The University seeks to make better use of its existing space through enhancing its approach to space management, ensuring 'fitness for purpose' and reducing the overall physical space footprint.

Fig. 6

Condition of the Estate



- A - As new
- B - Sound
- C - Operational but repair / replacement needed soon
- D - Risk of failure / inoperable



■ Treasury and Investments

The net cash inflow from operating activities in 2010/11 was £14.4m, compared with the previous year of £7.6m. Operating cash flow has been boosted by a positive net working capital movement of £7.4m, compared with £0.6m in 2009/10.

The operating cash inflow strengthened the University's cash position, with net funds increasing significantly from £16.6m to £29.3m. However it should be noted that the University does have net current liabilities (excluding cash balances) of £46m, compared with £41m at the previous year end. These represent future revenue commitments which, coupled with capital expenditure commitments, mean that cash management will continue to be a key focus for the University.

The University seeks to support the code of good practice in its relationship with suppliers. It is the University's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the University and its suppliers, provided that all trading terms and conditions have been complied with. At 31st July 2011, the University had an average of 21 days' purchases outstanding in trade creditors. Interest paid under the Late Payments of Commercial Debts (Interest) Act 1998 is £nil.

The University has in place a revolving credit facility of up to £34m which was renegotiated over the course of the year. The nature of the revolving credit facility allows the University to keep cash balances to a minimum and thereby reduce borrowing requirements. The University also has a drawn down loan facility of £8.5m which was used to fund the construction of a new research building.

Endowments increased by £1.4m in the year, reflecting positive movements in the stockmarkets. Management of these investments continued in the hands of independent fund managers whose performance is monitored by the University's Finance and Policy Committee.

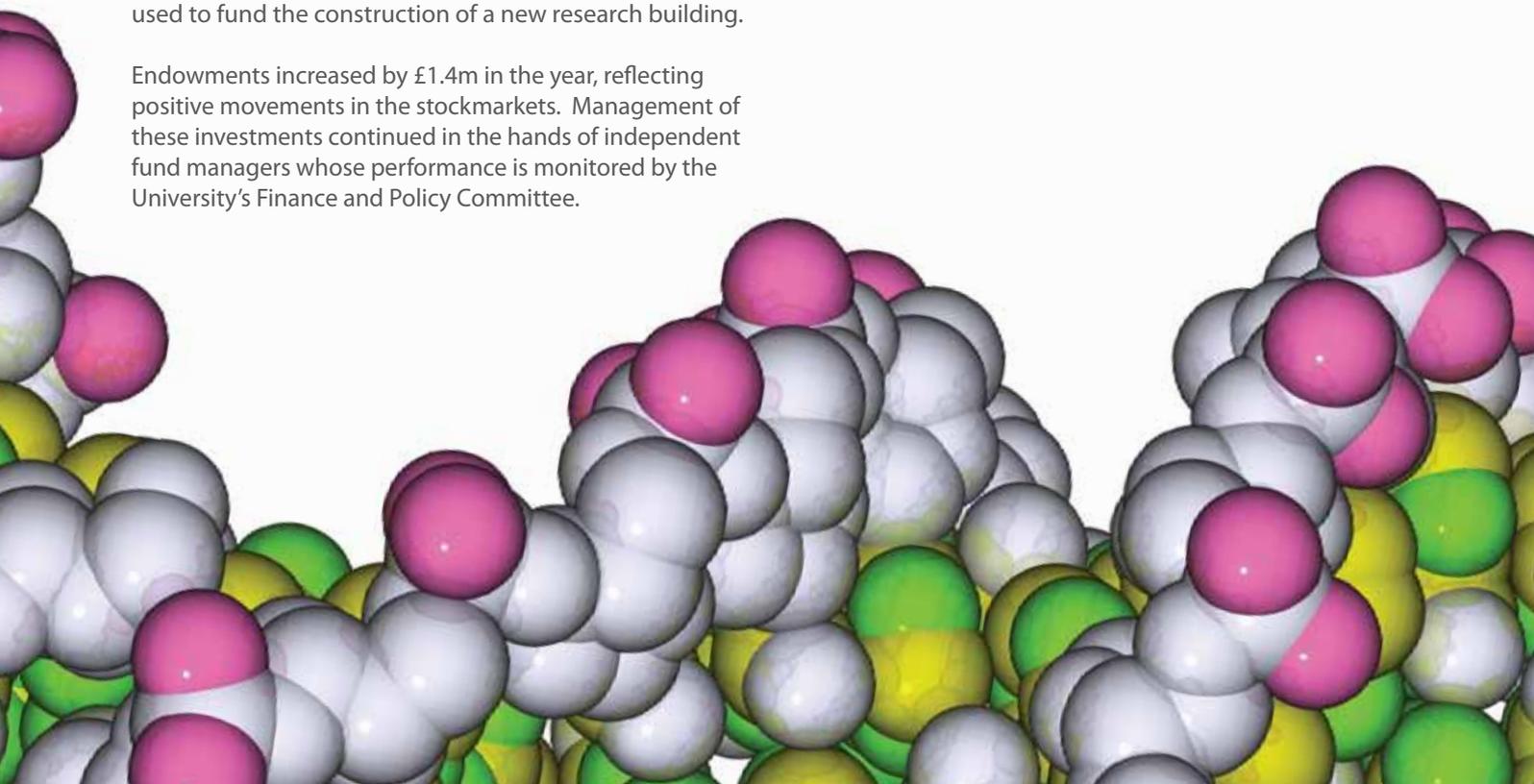
■ Pensions

The main pension schemes of the Group are the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation Scheme (UODS). A detailed statement of these schemes is shown in Note 31 of the financial report, which has been prepared in accordance with FRS 17.

Following the last triennial valuation of the UODS, the University's pensions contributions increased on 1 August 2009 from 21.05% to 22.1% of pensionable earnings. The level of contribution has been fixed to recover the deficit in the pensions fund, identified in the triennial valuation, over a period of 13 years.

Following the last triennial valuation of the USS, the pension contribution rate payable by the University increased on 1 October 2009 from 14% to 16%.

In total, pension costs increased by 6% compared with the previous year. Changes to the benefits structure in both schemes have now been introduced in order to improve the sustainability of the schemes. These changes were effective from August 2011 for UODS and October 2011 for USS.



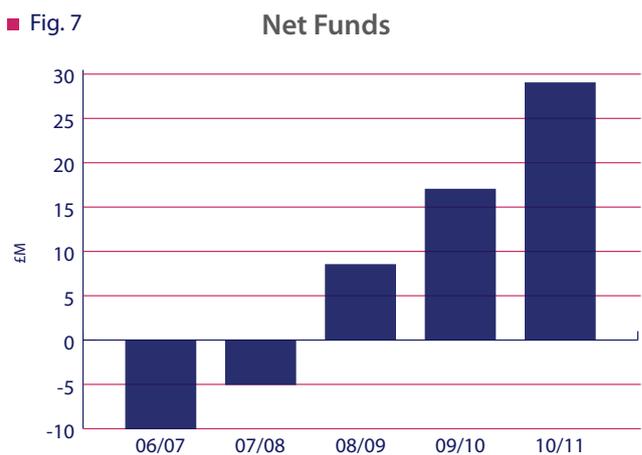


Balance Sheet

The net assets of the Group increased during the year by £4m to £163m. The significant improvement in the cash position was partially off-set by a slight fall in the net book value of fixed assets and an increase in creditors and provisions. As the chart illustrates, over the last five years net funds have moved from being negative £9.7m to positive £29.3m, an improvement of £39m. This is a consequence of improved operating surpluses and significant external funding raised for the capital programme, coupled with positive working capital movements due to the research-related increase in creditors.

The University will continue to manage its capital investment plans effectively and will monitor working capital. The positive working capital movement has had very significant cash flow benefits over the last few years but requires continued improvement in activity levels if it is to be sustained at current levels.

Fig. 7



Principal Risks and Uncertainties

The identification and management of risks is firmly embedded within the University's structure and processes. The Institutional Risk Register is formally reviewed by the Senior Management Team and the Audit Committee as well as being discussed at Court.

There are clearly significant risks surrounding the future of the various sources of funding that the University of Dundee receives. The University currently receives 36% of its income directly from the SFC and this core funding is essential to leverage in additional funds such as tuition fees and research income. 2011/12 will be a challenging year, with teaching funding reduced by over 10% and no inflationary increase in the research grant. The Scottish Government acknowledged that the settlement further widened the gap in funding for Higher Education between England and Scotland and has reiterated its commitment to closing this gap. The Draft Scottish Budget for 2012/13 includes a proposed revenue settlement for universities which would go some way towards achieving this. The University continues to make the case, individually and through Universities Scotland, for secure and appropriate levels of investment in the sector.

However, a specific risk for the University is created by the fact that a large element of the teaching funding which it receives relates to the education of future public sector employees (doctors, dentists, nurses and teachers). Any reduction in funding associated with the Scottish Government's workforce planning in these areas of the public sector will have a disproportionate impact on this institution.

There continues to be strong demand for both undergraduate and postgraduate courses at the University. Home student numbers are tightly capped, and the application of immigration rules have made it more difficult for overseas students to get visas. However, it is likely that the University will be in a position to charge full fees to students from other parts of the UK from 2012/13. If carefully managed, this has the potential to generate an additional income stream which would contribute to closing the funding gap.

Although research income currently contributes strongly to the University's surplus, we have experienced a significant fall in the value of new research grant awards during 2010/11, and this will feed through to the operating result in future years. In particular, we receive substantial funding (£23.5m) from the Research Councils and it is inevitable that the reduction in the funds available to them will have a material impact on our income.

The University has significant cost pressures. Staff costs are by far the biggest element of costs and in recent years these costs have risen substantially. The University must continue to manage these costs effectively, through ongoing efficiency and via participating in UK national pay negotiations as a member of the Universities and Colleges Employers Association (UCEA). Significant progress has been made in securing the sustainability of our main pension schemes through the recent introduction of changes to the benefits structures. However, weak investment returns and improved mortality will continue to place pressure on pension schemes going forward.

In anticipation of these challenges the University embarked upon a strategic review in 2009, with a clear focus upon improving excellence in teaching and research across the University, as well as improving financial sustainability. To date, 85% of the £10m savings target has been identified, mainly by means of headcount reductions delivered through the Voluntary Severance scheme. However, the achievement of these savings, and the positive settlement for Higher Education in the Draft Scottish Budget, must not lead to complacency. We will need to deliver fully on proposed savings in order to allow new strategic investment in support of the new academic themes, particularly as we prepare for the Research Excellence Framework.

The University finances capital expenditure through a combination of internally generated funds and external capital funding. Reductions in SFC and Research Council capital funding present a serious risk to the University's ability to deliver the objectives within its Estates Strategy. In addition, any significant reduction in revenue grants will impact on the operating result and therefore on the level of internally generated cash.

The University has made progress towards its goal of financial sustainability. There are however many more risks as a consequence of the current economic climate which will make the achievement of a 3% surplus much more difficult.

Conclusion

The financial performance for the year was a good result and puts the University in a strong position as it enters a difficult year and future funding uncertainty. This performance reflects the hard work of staff across the University in increasing income and managing costs and has been supported by enhanced financial controls and reporting arrangements. However, there are clearly significant uncertainties around the economy and public funding as well as significant cost pressures which will make for a challenging future for the University and the higher education sector as a whole. The University will continue to respond by striving for excellence in higher learning, research and knowledge transfer – maximising income and ensuring the efficient use of resources in the future.



Eric F Sanderson
Chairman of Court



Professor C Peter Downes OBE FRSE
Principal and Vice-Chancellor



Corporate Governance

The following statement is provided to enable readers of the financial statements of the University to obtain a better understanding of its legal structure and governance.

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to universities from the Committee of University Chairs in its *Guide for Members of Higher Education Governing Bodies in the UK* (2009). The University's governance framework and processes follow the principles of the Financial Reporting Council's *UK Corporate Governance Code* (2010) ['UK Code'], insofar as they apply to the University sector, and the Turnbull Committee guidance.

The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1967. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, as amended from time to time with the approval of the Privy Council.

The Charter and Statutes require the University to have two separate bodies to oversee and manage its activities, as follows:

(a) **Court** is the governing body, responsible for the finance, property, investments, employment of staff and general business of the University, and for setting the general strategic direction of the institution.

It has a total membership of 23, with a majority of lay members from outside the University (from whom its Chairperson must be drawn). Members also include representatives of the staff of the University and the student body.

The lay members are all independent, being nominated (3), elected (2) or co-opted (7). Co-opted members are selected by a Governance and Nominations Committee, which invites nominations from members of Court, members of staff and students and invites applications via external advertisement. None of the lay members receives any payment, apart from the reimbursement of expenses, for the work they undertake for the University.

(b) Subject to the general control and approval of Court, **Senate** is the academic authority of the University and draws its membership entirely from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University. Senate is chaired by the Principal and Vice-Chancellor.

Although Court meets at least five times each academic year, much of its detailed work is handled by committees, i.e. Finance and Policy, Human Resources, Governance and Nominations, Remuneration and Audit Committees. These committees have written remits and their decisions and recommendations are formally reported to Court. They each have a specified membership, including lay members and a lay Convener, which is approved on an annual basis.

The composition of Court and its Committees, along with the attendance of members at meetings during the session 2010/11, is set out below.



The Remuneration Committee, which has an entirely lay membership, determines the remuneration of the most senior staff, including the Principal.

The Audit Committee, which likewise has an entirely lay membership including additionally co-opted non-Court members, is chaired by a lay member of Court and meets four times a year, with the University's internal and external auditors in attendance. The Committee considers detailed reports from the internal and external auditors, together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. The Audit Committee's role is one of high level review of the arrangements for internal control and value for money. It has authority to investigate any matters within its terms of reference. Whilst senior university officers attend meetings of the Committee, as necessary, they are not members of the Committee. In order to safeguard the independence of the University's external auditors, provision by them of non-audit services is subject to the approval of the Audit Committee.

The effectiveness of Court and of its committees is evaluated by an internal review process which is carried

out periodically. The first such review took place in 2000, with similar exercises undertaken in 2004 and 2009. The next review is scheduled at the latest for 2014. In addition the Audit Committee carried out its own self-assessment exercise in 2006 in accordance with best practice, using a methodology developed by the then external auditors; it is intended that a similar exercise will be carried out during the academic session 2011/12. The Chairperson of Court is expected to meet with other Court members on an individual and informal basis annually to discuss their contribution and provide guidance if needed; this also provides an opportunity for the Chairperson to assess whether members continue to have confidence in the conduct of Court business. The Chairperson is responsible for ensuring that the University is well connected with, and responsive to, key stakeholder groups – many of whom are represented on Court. In doing so, the Chairperson meets informally on a regular basis with senior academic managers.

The Principal and Vice-Chancellor is the chief academic and administrative officer of the University, who has a general responsibility to Court for maintaining and promoting the efficiency and good order of the University. As chief executive, the Principal exercises considerable influence upon the development of



institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. Under the terms of the formal Financial Memorandum between the University and the Scottish Funding Council, the Principal is also the accounting officer of the University.

The Principal and Vice-Chancellor chairs a Senior Management Team and presents a written report on its work to each meeting of Court. The remaining membership of the Senior Management Team comprises the Vice-Principals, the University Secretary, the Director of Finance and other officers as required.

The University is operating towards the strategic goals and objectives set out in its Strategic Framework to 2012, which Court approved in June 2007. In measuring its progress in achieving these goals and objectives, Court receives regular reports from the Director of Strategic Planning on an agreed set of performance indicators. These range from undergraduate entry requirements and graduate employment rates to fee income levels, volume of research, income per academic fte and space and energy efficiency. A new University strategy for the period beyond 2012 will be developed and agreed during the academic session 2011/12.

The powers reserved to Court and those it has delegated to its committees, to Senate and to the Principal and other senior officers, are set out in a Schedule of Delegation and Decision-Making Powers, which is regularly reviewed.

The University maintains a register of interests of members of Court and senior officers, which may be consulted by arrangement with the University Secretary. The interests of individual members are also published on the University's web pages.

Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the Charter and Statutes, the Statement of Recommended Practice (Accounting for Further and Higher Education Institutions) and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed with the Scottish Funding Council (SFC), 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;
- judgement and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- the 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 also has a responsibility to:

- ensure that funds from the SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions which the 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;
- safeguard the assets of the University and hence to take reasonable steps to prevent and detect fraud;
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure.

The University's system of internal financial control includes the following key elements:

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial results, involving variance reporting and updates of forecast out-turns;
- clear definitions of the responsibilities of, and authority delegated to, budget-holders in Colleges, Schools and in student and academic support services;
- detailed financial operating procedures for the authorisation and control of expenditure, whose provisions are approved by the Finance and Policy Committee and monitored by the Audit Committee;
- a professional internal audit team whose annual programme is approved by the Audit Committee on Court's behalf and which submits to the Audit Committee an annual report on internal audit activity and on the adequacy and effectiveness of the University's system of internal financial and other controls.

Any system of internal financial control, however, only provides reasonable, not absolute, assurance against material mis-statement or loss.

As part of the overall system of internal control Court has adopted a strategy for risk management. The main components of this strategy comprise regular review of an institutional risk register, the identification and evaluation by Colleges and support services of risks to their own operations, and planning for disaster recovery and business continuity. The effectiveness of the risk management process has been overseen by a broadly based Risk Management Monitoring Group, which is responsible to Court via the Audit Committee and which also provides information to the senior management.

Any enquiries about the constitution and governance of the University should be addressed to the University Secretary.

Membership of Court and Committees

(Including attendance during academic session 2010/11)

		Committees					
		Court	Audit ¹	Finance and Policy ²	Governance and Nominations	Human Resources ³	Remuneration
		6 in year	4 in year	6 in year	2 in year	3 in year	1 in year
*Mr EF Sanderson, Chairman		6c		5	2c		
Professor CP Downes, Principal		6		4	2		
Professor RJ Abboud		6			2	2	
*Mr M Arnott		4					
Mr WI Ball	To 31/07/11	6		4	2		
Miss K Brown	From 13/12/10 to 31/07/11	4 (of 4)					
Mr C Browne	From 25/10/10 to 31/07/11	5 (of 5)		4 (of 4)			
*Professor A Burchell		5	2		2		
*Mr R Burns		6		5c	2		1c
Mr D Cathcart		5				3	
*Mr J Elliot		6	4				0
Mr C Kelly	From 01/08/10 to 30/09/10	1 (of 1)		1 (of 1)			
Mr M Kendrick	From 01/08/11						
Mr I Kennedy	From 01/08/11						
*Lord Provost Dr J Letford		1					
*Dr J Lowe		6		6	1	3c	1
Dr LI McLellan		6		6			
*Dr H Marriage		6	4c			2	
Professor GJ Mires		6				3	
*Ms CA Potter		6				3	
Dr A Reeves	From 01/08/11						
*Mr KA Richmond		6		5			
Dr AM Roger		5				1	
*Mr KAC Swinley ⁴		1	3				
Professor J Taylor		5					
*Mr IDM Wright		6		6	2		

NOTES

* Lay Members

c = Chairperson/Convener of Committee.

¹ The Audit Committee has two additional co-opted members, who are not members of Court: Mr J Barnett (attended 4 times in 2010/11) and Miss J Thomson (attended 3 times in 2010/11). Miss Thomson left the Committee with effect from 31/07/11, and Mr I Stewart joined the Committee with effect from 01/08/11.

² The Finance and Policy Committee has one additional staff member, who is not a member of Court: Vice-Principal Professor J Calderhead (attended 6 times in 2010/11; left the Committee with effect from 01/09/11).

³ The Human Resources Committee has two additional staff members, who are not members of Court: Mr I Leith (attended 3 times in 2010/11) and Vice-Principal Professor CA Whatley (attended 2 times in 2010/11).

⁴ Mr Swinley is also a Trustee of the University of Dundee Superannuation Scheme and attended five of the Board's seven meetings in 2010/11.

Report of the independent auditors to the University Court of the University of Dundee

We have audited the financial statements of University of Dundee for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure, the Group and University Balance Sheets, the Group Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

■ Respective responsibilities of the Court and auditors

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

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

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

■ Scope of the audit of the financial statements

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

■ Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent institution's affairs as at 31 July 2011 and of the group's income and expenditure, recognised gains and losses and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice (SORP) on Accounting in Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

In our opinion, in all material respects:

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

■ **Matters on which we are required to report by exception**

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

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



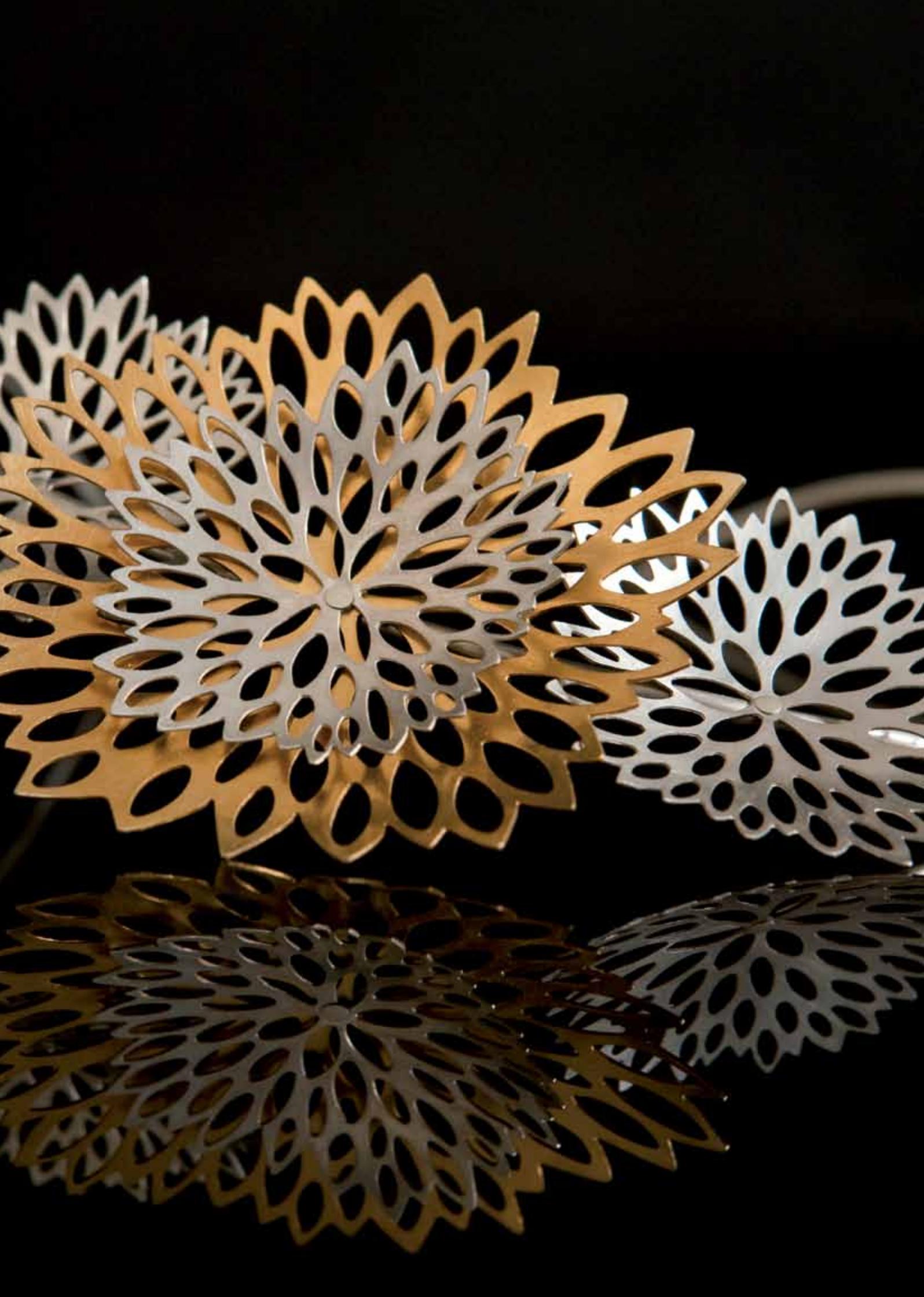
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Glasgow

12 December 2011

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

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



Financial Statements

Year ended 31 July 2011



Statement of Principal Accounting Policies

1. Basis of Preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards in the United Kingdom. The financial statements have also been prepared in accordance with the Accounts Direction issued by the Scottish Funding Council.

The financial statements are prepared in accordance with the historical cost convention modified to include listed investments at their market value.

2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July. A list of these subsidiary undertakings is included in note 32. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

Entities, other than subsidiaries, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates. In the Group Financial Statements, associates are accounted for using the equity method, including the appropriate share of the results and reserves of each associate. The consolidated income and expenditure account includes the Groups share of the profit or losses of Dundee Student Villages Limited (DSV), an associated undertaking, and the consolidated balance sheet similarly includes the Groups share of the net assets or liabilities of DSV.

The consolidated financial statements do not include those of the Dundee University Students Association as it is a separate organisation in which the University has no control or significant influence over policy decisions.

3. Income Recognition

Scottish funding council block grants are accounted for in the period to which they relate.

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

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

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

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

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

■ 4. Agency Arrangements

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

■ 5. Leases and Hire Purchase Contracts

Expenditure on fixed assets acquired under finance leases and the related lease obligations is capitalised in so far as the costs exceed the University's capitalisation threshold. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

■ 6. Taxation Status

The University is a charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010 and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity No. SC015096). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

Deferred taxation for subsidiaries is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

■ 7. Land and Buildings

Land and buildings are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Donated land and buildings are stated at fair value at the date of receipt.

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 costs of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. The 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.

Depreciation

Buildings are depreciated over their estimated useful lives of up to 50 years on a straight line basis. Alterations and additions to buildings are depreciated over the expected useful life of the work carried out. No depreciation is provided on land.

Repairs and Maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance 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.

Assets used by the University

The University occupies various premises owned by the NHS. The main locations are subject to service charges which are reflected in the income and expenditure account but are not subject to formal rentals. It is not possible to attribute value to these arrangements and hence these assets are not included in the financial statements.

Assets Held for Resale

Assets for resale are land and buildings which are no longer in use by the University and which the University is committed to sell and not replace. These assets are valued at the lower of net book value and net realisable value and included in current assets.

■ 8. Equipment

Equipment, including PCs and software, costing less than £10,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other items of equipment are capitalised and depreciated on a straight line basis over their expected useful lives as follows:

Plant	20 years
Computer equipment	4 - 12 years
Research equipment	Shorter of 4 years or project life
Other equipment	4 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected life of the equipment.

■ 9. Investments

Fixed asset investments are included in the balance sheet at market value except for investments not listed on a recognised stock exchange, which are carried at historical cost less any provision for impairment in their value.

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

Investments that form part of Endowment Assets are included in the balance sheet at market value.

Investments in associates are shown in the consolidated balance sheet at attributable share of net assets.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Interests in land and/or buildings held for their investment potential are included in the balance sheet at their market value without charging depreciation.

■ 10. Stocks

The stocks comprise mainly of building maintenance, catering, central stationery and laboratory supplies, and are brought into the accounts at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Neither consumable materials held in academic departments nor library books are included in stocks.

■ 11. 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 and overdrafts, but excludes any assets held as endowment asset investments. No other investments, however liquid, are included as cash.

Liquid resources include short-term deposits with recognised banks and building societies and government securities held as part of the University's treasury management activities.

■ 12. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

■ 13. Intra Group Transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Balances between the University and its associates are not eliminated; unsettled normal trading transactions are included as current assets or liabilities.

■ 14. 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 restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:

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

Unrestricted permanent endowments – the capital fund is maintained and the income thereon can be applied to the general purposes of the University.

Restricted expendable endowments – trustees have the discretion to convert endowed capital into income and the income must be applied to a purpose specified by the donor.

Income and capital gains

Income earned on the endowment assets is shown as 'endowment and investment income' in the income and expenditure account. Increases/decreases in value arising on the revaluation or disposal of endowment assets are reported in the statement of total recognised gains and losses.

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, including donated tangible fixed assets

Gifts in kind, other than property donated for use by the University, are included in 'endowment and investment income' in the income and expenditure account.

The value of property donated for use by the University is included at valuation in tangible fixed assets. The corresponding credit for land is taken to the income and expenditure account as a donation and for property other than land is taken to deferred capital grants.

■ 15. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation and Life Assurance Scheme (UODS). Both schemes are defined benefit schemes.

Pension costs for the UODS scheme are assessed on the latest actuarial valuation of the scheme and are accounted for on the basis of FRS 17.

The USS scheme is a multi-employer scheme and it is not possible to identify the assets of the scheme which are attributable to the University. In accordance with FRS 17 the USS scheme is accounted for on a defined contribution basis and contributions to this scheme are included in expenditure in the period in which they are payable.

The University participates in a number of other defined benefit pension schemes. Where the scheme is a multi-employer scheme and it is not possible to identify the University's share of the underlying assets and liabilities, it is accounted for on a defined contribution basis and contributions are included in expenditure in the period in which they are payable.

■ 16. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit 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.

The attributable share of net liabilities in associates is shown as a provision in the consolidated balance sheet.

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.

Consolidated Income and Expenditure Account

Year Ended 31 July 2011

	Note	Group	
		2010/11 £000	2009/10 £000
Income			
Scottish funding council grants	1	83,055	82,669
Tuition fees and education contracts	2	36,509	35,999
Research grants and contracts	3	72,280	63,996
Other income	4	36,641	35,872
Endowment and investment income	5	726	554
Total income		229,211	219,090
Expenditure			
Staff costs	6	130,264	129,193
Restructuring costs	6	3,847	167
Other operating expenses	7	75,774	70,897
Depreciation	10	17,487	13,998
Interest and other finance costs	8	846	1,126
Total expenditure		228,218	215,381
Surplus after depreciation of tangible fixed assets		993	3,709
Share of operating loss in associate	16	(529)	(611)
Surplus after depreciation of assets		464	3,098
Minority interest		6	3
Surplus before exceptional items		470	3,101
Exceptional items: continuing operations			
Disposal of fixed assets		1,213	(22)
Surplus on continuing operations after depreciation of assets and disposal of assets	9	1,683	3,079
Surplus for the year transferred from endowment income		787	248
Surplus for the year retained within general reserves		2,470	3,327

All items of income and expenditure arise from continuing operations.

Statement of Group Total Recognised Gains and Losses Year Ended 31 July 2011

	Note	Group	
		2010/11 £000	2009/10 £000
Surplus on continuing operations after depreciation of assets and disposal of assets		1,683	3,079
Appreciation of endowment assets	18	1,669	1,596
Additions to revaluation reserve	19	3	-
Surplus on revaluation of investments	11	85	33
New endowments	18	469	604
Actuarial gain/(loss) in respect of pension schemes	31	852	(73)
Total recognised gain relating to the year		4,761	5,239
Reconciliation			
Opening reserves and endowments		26,883	21,644
Total recognised gain for the year		4,761	5,239
Closing reserves and endowments		31,644	26,883

Balance Sheets as at 31 July 2011

	Note	Group 2011 £000	Group 2010 £000	University 2011 £000	University 2010 £000
Fixed assets					
Tangible assets	10	205,187	207,775	203,924	206,864
Investments	11	1,066	1,108	1,171	1,213
		206,253	208,883	205,095	208,077
Endowment assets	12	20,298	18,918	20,298	18,918
Current assets					
Stocks		386	397	260	301
Debtors	13	25,036	22,603	26,223	23,311
Short-term investments		29,670	16,517	29,670	16,517
Cash at bank and in hand		2,237	2,333	1,294	1,742
		57,329	41,850	57,447	41,871
Creditors: amounts falling due within one year	14	(71,007)	(64,347)	(70,498)	(64,204)
Net current liabilities		(13,678)	(22,497)	(13,051)	(22,333)
Total assets less current liabilities		212,873	205,304	212,342	204,662
Creditors: amounts falling due after more than one year	15	(8,968)	(8,859)	(8,968)	(8,859)
Provisions for liabilities	16	(18,538)	(14,166)	(15,296)	(11,453)
Total net assets excluding pension liability		185,367	182,279	188,078	184,350
Net pension liability	31	(22,610)	(23,757)	(22,610)	(23,757)
Total net assets including pension liability		162,757	158,522	165,468	160,593

Balance Sheets

as at 31 July 2011

	Note	Group 2011 £000	Group 2010 £000	University 2011 £000	University 2010 £000
Represented by:					
Deferred capital grants	17	131,129	131,649	131,106	131,613
Endowments					
Expendable	18	3,883	4,292	3,883	4,292
Permanent	18	16,415	14,626	16,415	14,626
		20,298	18,918	20,298	18,918
Reserves					
Income and expenditure account excluding pension reserve	19	33,258	30,985	35,976	33,082
Pension reserve	19	(22,610)	(23,757)	(22,610)	(23,757)
Income and expenditure account including pension reserve		10,648	7,228	13,366	9,325
Revaluation reserve	19	698	737	698	737
Total Reserves		11,346	7,965	14,064	10,062
Minority interest		(16)	(10)	-	-
Total Funds		162,757	158,522	165,468	160,593

The financial statements on pages 20 to 52 were approved by the Court on 12 December 2011 and signed on its behalf by:



Eric F Sanderson
Chairman of Court



Professor C Peter Downes OBE FRSE
Principal and Vice-Chancellor



Andrew Hewett
Director of Finance

The University of Dundee
Dundee DD1 4HN

Consolidated Cash Flow Statement

Year ended 31 July 2011

	Note	Group	
		2011 £000	2010 £000
Net cash inflow from operating activities	20	14,411	7,617
Returns on investments and servicing of finance	21	589	421
Capital expenditure and financial investment	22	(2,290)	270
Cash inflow		12,710	8,308
Management of liquid resources	23	(13,153)	(8,517)
Financing	24	-	-
Decrease in cash in the year	25	(443)	(209)

Reconciliation of net cash flow to movement in net funds

	Note	Group	
		2011 £000	2010 £000
Decrease in cash in the year		(443)	(209)
Change in short term deposits		13,153	8,517
Change in net funds		12,710	8,308
Net funds at 1 August	25	16,605	8,297
Net funds at 31 July	25	29,315	16,605

Notes to the Accounts

	Note	Group 2010/11 £000	Group 2009/10 £000
1. Scottish funding council grants			
SFC recurrent teaching grant		51,644	52,651
SFC recurrent research grant		22,943	22,364
Release of deferred capital grants	17	4,258	3,845
Other SFC grants		4,210	3,809
Total		83,055	82,669
2. Tuition fees and education contracts			
UK and EU fees		19,946	19,914
Non-EU fees		14,559	13,535
Non-credit bearing course fees		688	885
Other contracts		1,316	1,665
Total		36,509	35,999
3. Research grants and contracts			
Research Councils		23,466	18,235
UK charities		23,349	22,662
European Commission		4,688	4,539
Other grants and contracts		15,133	14,989
Release of deferred capital grants	17	5,644	3,571
Total		72,280	63,996
4. Other income			
Residences, catering and conferences		7,783	7,305
Other services rendered		8,835	9,245
Health Authorities		6,008	6,354
Release of deferred capital grants	17	2,885	2,451
VAT recoveries		565	826
Other grants, donations and income		10,565	9,691
Total		36,641	35,872

Notes to the Accounts

6. Staff costs – continued	Group 2010/11 £000	Group 2009/10 £000
Academic departments	71,217	70,292
Academic services	7,590	8,583
Research grants and contracts	30,885	30,282
Administration and central services	12,697	11,795
Premises	4,820	4,815
Other	2,666	3,042
Catering and residences	389	384
Total	130,264	129,193
Restructuring costs	3,847	167
Total	134,111	129,360

Restructuring costs relate to a voluntary severance scheme which was launched by the University in October 2010 and closed in February 2011.

Average staff numbers by major category	Group 2010/11 Number	Group 2009/10 Number
Academic departments	1,332	1,352
Academic services	228	242
Research grants and contracts	751	719
Administration and central services	303	299
Premises	195	197
Other	74	76
Catering and residences	14	16
Total	2,897	2,901

Notes to the Accounts

6. Staff costs – continued	Group 2010/11 £000	Group 2009/10 £000
Emoluments of the Principal	212	211

The emoluments of the Principal are shown on the same basis as for higher paid staff.

The University's pension contributions to USS are paid at the same rates as for other academic staff and amounted to £33,903. (2009/10 - £33,064)

Remuneration of other higher paid staff, excluding employer's pension contributions but including payments made on behalf of the National Health Service in respect of merit awards which are excluded from the University's Income and Expenditure Account:

	2010/11 Number Non-Clinical	2010/11 Number Clinical	Restated 2009/10 Number Non-Clinical	Restated 2009/10 Number Clinical
£70,000 - £79,999	24	2	21	1
£80,000 - £89,999	21	4	22	4
£90,000 - £99,999	11	6	7	10
£100,000 - £109,999	8	11	8	8
£110,000 - £119,999	3	10	2	10
£120,000 - £129,999	3	6	3	2
£130,000 - £139,999	4	-	3	6
£140,000 - £149,999	-	11	-	6
£150,000 - £159,999	-	8	-	6
£160,000 - £169,999	-	3	-	4
£170,000 - £179,999	-	3	-	3
£180,000 - £189,999	-	5	-	4
£190,000 - £199,999	-	1	-	1
£200,000 - £209,999	-	4	-	4
£210,000 - £219,999	-	1	-	1

The numbers for 2009/10 have been restated due to the omission of supplementary allowances relating to eight non-clinical staff. There is no change to the overall number.

Notes to the Accounts

	Group 2010/11 £000	Group 2009/10 £000
7. Other operating expenses		
Academic departments	14,583	13,137
Academic services	3,881	3,893
Research grants and contracts	22,711	20,851
Administration and central services	12,121	11,200
Premises	9,681	9,096
Other	5,224	5,236
Catering and residences	7,573	7,484
Total	75,774	70,897
Other operating expenses include:		
External auditors' remuneration in respect of audit services	70	69
Internal auditors' remuneration	80	69
8. Interest and other finance costs	Group 2010/11 £000	Group 2009/10 £000
Loans repayable within five years	146	126
Net charge on pension scheme	700	1,000
Total	846	1,126
9. Surplus on continuing operations for the year	Group 2010/11 £000	Group 2009/10 £000
University surplus for the year	2,304	3,724
Deficit generated by associate and subsidiary undertakings	(621)	(645)
Surplus on continuing operations after depreciation of assets and disposal of assets	1,683	3,079

Notes to the Accounts

10. Tangible fixed assets	Land and Buildings Freehold £000	Equipment £000	Assets in the Course of Construction £000	Total £000
Group				
Cost				
At 1 August 2010	254,814	39,920	907	295,641
Additions	6,486	6,372	2,058	14,916
Transfers	233	-	(233)	-
Disposals	(24)	(19)	-	(43)
At 31 July 2011	261,509	46,273	2,732	310,514
Depreciation				
At 1 August 2010	(63,195)	(24,671)	-	(87,866)
Charge for Year	(8,551)	(8,936)	-	(17,487)
Disposals	7	19	-	26
At 31 July 2011	(71,739)	(33,588)	-	(105,327)
Net Book Value				
At 31 July 2011	189,770	12,685	2,732	205,187
At 1 August 2010	191,619	15,249	907	207,775
University				
Cost				
At 1 August 2010	254,569	37,898	848	293,315
Additions	6,486	6,372	1,597	14,455
Transfers	233	-	(233)	-
Disposals	(24)	(19)	-	(43)
At 31 July 2011	261,264	44,251	2,212	307,727
Depreciation				
At 1 August 2010	(63,128)	(23,323)	-	(86,451)
Charge for Year	(8,545)	(8,833)	-	(17,378)
Disposals	7	19	-	26
At 31 July 2011	(71,666)	(32,137)	-	(103,803)
Net Book Value				
At 31 July 2011	189,598	12,114	2,212	203,924
At 1 August 2010	191,441	14,575	848	206,864

Notes to the Accounts

10. Tangible fixed assets - continued

Buildings with net book value of £71,137k and cost of £102,864k have been funded from Exchequer funds; should these particular buildings be sold, the University would either have to surrender the proceeds or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

11. Investments

Group	2011 £000	2010 £000
Balance at 1 August	1,108	1,253
Disposals	(127)	(149)
Released to income and expenditure	-	(29)
Surplus on revaluation of investments	85	33
Balance at 31 July	1,066	1,108
Value at 31 July:		
Listed investments	112	92
Index linked government stocks	898	960
Other	56	56
Total	1,066	1,108
University		
Balance at 1 August	1,213	1,328
Disposals	(127)	(149)
Released to income and expenditure	-	1
Surplus on revaluation of investments	85	33
Balance at 31 July	1,171	1,213
Value at 31 July:		
Listed investments	112	92
Index linked government stocks	898	960
Subsidiary companies	105	105
Other	56	56
Total	1,171	1,213

Included in the above is £898k (2010 - £960k) in respect of investments for the future costs of early retirement pensions.

Notes to the Accounts

	Group and University	
	2011 £000	2010 £000
12. Endowment asset investments		
Balance at 1 August	18,918	16,966
Additions	1,605	2,841
Disposals	(1,547)	(2,918)
Increase in market value of investments	1,669	1,596
(Decrease)/increase in cash balances held for endowment funds	(347)	433
Balance at 31 July	20,298	18,918
Market Value at 31 July:		
Convertibles (listed)	2,332	2,256
Equities (listed)	12,058	10,407
Bank balances	5,908	6,255
Total	20,298	18,918

Included in bank balances is £3,883k (2010 - £4,292k) relating to expendable endowments.

	Group 2011 £000	Group 2010 £000	University 2011 £000	University 2010 £000
13. Debtors				
Amounts due within one year:				
Debtors	8,354	7,290	8,284	7,387
VAT	213	-	102	-
Amounts due from subsidiary companies	-	-	1,369	637
Prepayments and accrued income	16,469	15,313	16,468	15,287
Total	25,036	22,603	26,223	23,311
14. Creditors: amounts falling due within one year				
Research grants received on account	23,861	22,449	23,861	22,449
Other payments received on account	17,168	14,705	17,168	14,705
Trade Creditors	4,863	5,799	4,799	5,727
Amounts due to subsidiary companies	-	-	128	108
Social security and other taxation payable	2,868	2,880	2,868	2,880
Accruals and deferred income	22,247	18,514	21,674	18,335
Total	71,007	64,347	70,498	64,204

Notes to the Accounts

	Group and University	
	2011	2010
	£000	£000
15. Creditors: amounts falling due after more than one year		
Unsecured loans	8,500	8,500
Accruals and deferred income	468	359
Total	8,968	8,859

	Group Only	
	2011	2010
	£000	£000
Analysis of unsecured loans:		
Due between two and five years	8,500	8,500
Total	8,500	8,500

Unsecured loans is represented by a revolving credit facility of £34m repayable in 2016. It is the University's option for each advance to float against LIBOR or be at a fixed rate. At 31 July 2011, the amount drawn down was £nil. There is also a loan facility of £8.5m repayable in 2014, floating against LIBOR, to fund the construction of a new research building of which the amount drawn down was £8.5m.

Notes to the Accounts

16. Provisions for liabilities	Early Retirement Pension Costs £000	Other £000	Associated Company £000	2011 Total £000	2010 Total £000
Group					
At 1 August	7,903	3,550	2,713	14,166	14,652
Expenditure in the period	(489)	(1,030)	-	(1,519)	(2,311)
Additional provision required in year	433	4,929	529	5,891	1,825
At 31 July	7,847	7,449	3,242	18,538	14,166
University					
At 1 August	7,903	3,550		11,453	12,550
Expenditure in the period	(489)	(1,030)		(1,519)	(2,311)
Additional provision required in year	433	4,929		5,362	1,214
At 31 July	7,847	7,449		15,296	11,453

The above pension provision reflects the University's commitments to pay pension benefits to existing and former employees where a separate scheme is not in place.

Other provisions include amounts relating to the voluntary severance scheme; VAT; legal claims; changes in accounting for research; and exchange rate differences.

The University has a 33.3% holding in Dundee Student Villages (DSV) which operates and maintains University residences.

Associate

Dundee Student Villages

(Company limited by guarantee)

Proportion of ordinary shares held
Proportion of voting rights held
Nature of business
Date of financial information

Nil
33.3%
Residences
31 July 2011

	DSV Ltd £000	University share of DSV Ltd £000
Aggregate capital and reserves	(9,725)	(3,242)
Loss for the year	(1,585)	(529)
Incoming resources	5,601	1,867
Fixed assets	42,967	14,322
Current assets	4,914	1,638
Liabilities less than one year	(2,345)	(782)
Liabilities more than one year	(55,261)	(18,420)

Notes to the Accounts

17. Deferred capital grants	Note	Scottish Funding Council £000	Other Grants £000	Total £000
Group				
At 1 August 2010				
Buildings		68,671	49,966	118,637
Equipment		3,738	9,274	13,012
Total		72,409	59,240	131,649
Cash received				
Buildings		5,491	2,004	7,495
Equipment		183	4,589	4,772
Total		5,674	6,593	12,267
Released to income and expenditure				
Buildings		(3,025)	(1,843)	(4,868)
Equipment		(1,233)	(6,686)	(7,919)
Total	1,3,4	(4,258)	(8,529)	(12,787)
At 31 July 2011				
Buildings		71,137	50,127	121,264
Equipment		2,688	7,177	9,865
Total		73,825	57,304	131,129

Notes to the Accounts

17. Deferred capital grants	Note	Scottish Funding Council £000	Other Grants £000	Total £000
University				
At 1 August 2010				
Buildings		68,671	49,966	118,637
Equipment		3,738	9,238	12,976
Total		72,409	59,204	131,613
Cash received				
Buildings		5,491	2,004	7,495
Equipment		183	4,589	4,772
Total		5,674	6,593	12,267
Released to income and expenditure				
Buildings		(3,025)	(1,843)	(4,868)
Equipment		(1,233)	(6,673)	(7,906)
Total	1,3,4	(4,258)	(8,516)	(12,774)
At 31 July 2011				
Buildings		71,137	50,127	121,264
Equipment		2,688	7,154	9,842
Total		73,825	57,281	131,106

Notes to the Accounts

18. Endowments	Group and University					
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2011 Total £000	2010 Total £000
Balances at 1 August						
Capital	4,110	9,186	13,296	4,292	17,588	15,611
Accumulated income	-	1,330	1,330	-	1,330	1,355
	4,110	10,516	14,626	4,292	18,918	16,966
Transfer from revaluation reserve	-	29	29	-	29	-
New endowments	-	2	2	467	469	604
Investment income	147	334	481	18	499	424
Expenditure	(147)	(245)	(392)	(894)	(1,286)	(672)
Increase in market value of investments	516	1,153	1,669	-	1,669	1,596
At 31 July	4,626	11,789	16,415	3,883	20,298	18,918
Represented by:						
Capital	4,626	10,370	14,996	3,883	18,879	17,588
Accumulated income	-	1,419	1,419	-	1,419	1,330
Total	4,626	11,789	16,415	3,883	20,298	18,918

Notes to the Accounts

19. Reserves	Note	Group £000	University £000
Income and expenditure reserve			
At 1 August 2010		30,985	33,082
Transfer from revaluation reserve		98	98
Surplus retained for the year		2,470	3,091
Less pension surplus		(295)	(295)
At 31 July 2011		33,258	35,976
Pension reserve			
At 1 August 2010		(23,757)	(23,757)
Actuarial gain	31	852	852
Surplus retained within reserves		295	295
At 31 July 2011		(22,610)	(22,610)
Revaluation Reserve			
At 1 August 2010		737	737
Additions		3	3
Surplus on revaluation of investments		85	85
Transfer to endowments		(29)	(29)
Transfer to general reserve in respect of: Disposal of investments		(98)	(98)
At 31 July 2011		698	698

Notes to the Accounts

20. Reconciliation of surplus before gain on disposal of assets to net cash inflow from operating activities	Note	2011 £000	2010 £000
Surplus after depreciation of tangible fixed assets		993	3,709
Depreciation	10	17,487	13,998
Deferred capital grants released to income	17	(12,787)	(9,867)
Investment income	5	(726)	(554)
Interest payable	8	846	1,126
Decrease/(increase) in stocks		11	(55)
Increase in debtors		(2,400)	(3,653)
Increase in creditors		8,136	5,381
Increase/(decrease) in provisions		3,843	(1,097)
Change in value of investments		-	29
Addition to revaluation reserve		3	-
Pension costs less contributions payable		(995)	(1,400)
Net cash inflow from operating activities		14,411	7,617

21. Returns on investments and servicing of finance	2011 £000	2010 £000
Income from endowments	499	423
Other interest received	194	130
Interest paid	(104)	(132)
Net cash inflow from returns on investments and servicing of finance	589	421

22. Capital expenditure and financial investment	2011 £000	2010 £000
Proceeds from sales of fixed assets	1,230	-
New endowments received	469	604
Receipts from disposal of fixed asset investments	127	149
Receipts from disposal of endowment asset investments	1,547	2,918
Payments to acquire endowment asset investments	(1,605)	(2,841)
Payments to acquire tangible fixed assets	(16,325)	(18,721)
Deferred capital grants received	12,267	18,161
Net cash (outflow)/inflow from capital expenditure and financial investment	(2,290)	270

Notes to the Accounts

23. Management of liquid resources	2011	2010
	£000	£000
Net increase in short term investments	(13,153)	(8,517)

24. Financing	2011	2010
	£000	£000
Net movement in long term borrowings	-	-
Net Cash from financing	-	-

25. Analysis of changes in net funds	Note	At 1 August 2010 £000	Cash Flows £000	Non-Cash Changes £000	At 31 July 2011 £000
Cash at bank and in hand		2,333	(96)	-	2,237
Endowment assets	12	6,255	(347)	-	5,908
		8,588	(443)	-	8,145
Short term investments		16,517	13,153	-	29,670
Debt due after one year	15	(8,500)	-	-	(8,500)
Total		16,605	12,710	-	29,315

26. Capital commitments	Group	Group	University	University
	2011	2010	2011	2010
	£000	£000	£000	£000
Provision has not been made for the following capital commitments at 31 July:				
Commitments contracted for	5,269	7,880	5,269	7,880
Authorised but not contracted for	12,645	8,017	6,888	8,017
Total	17,914	15,897	12,157	15,897

Notes to the Accounts

27. Contingent liabilities

The University has provided a guarantee to the Clydesdale Bank on a loan of £1.9m to Dundee University Students' Association of which £810k remains outstanding at 31 July 2011. There is no information currently available which would suggest that this guarantee will be called upon.

The University, through its agreement with Dundee Student Villages (DSV), has the potential obligation to purchase the West Park Conference Centre (WPCC) should the DSV board decide to cease the WPCC business.

28. Post balance sheet events

No major events requiring disclosure have taken place after the balance sheet date.

29. Bursaries and other student support funds	2010/11 Childcare £000	2010/11 Discretionary £000	2010/11 Total £000	2009/10 Total £000
Balance b/fwd	19	63	82	61
Allocation received in the year	266	675	941	890
Expenditure	(174)	(797)	(971)	(871)
Repaid as clawback	-	-	-	-
University contribution to funds	1	1	2	2
Virements	(92)	92	-	-
Balance c/fwd	20	34	54	82
Repayable as clawback	-	-	-	-
Retained by University for students	20	34	54	82

Scottish Funding Council grants are available solely for students: the University acts only as paying agents. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Notes to the Accounts

30. Disclosure of related party transactions

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

A review of the register of interests of Court Members was made and no material interests were identified.

The consolidated financial statements consolidate the financial statements of the subsidiary companies listed in Note 32. Transactions and balances between the Group entities have been eliminated on consolidation and have not been disclosed (in accordance with FRS 8).

Balances due to related parties not disclosed separately on the balance sheet at 31 July were as follows:

	2011 £000	2010 £000
Due to Dundee Student Villages	(1)	(3)
Due from Dundee Student Villages	31	153

During the year the University transferred £6.6m of student rental income to Dundee Student Villages and £133k of conference and room hire was purchased from its trading subsidiary West Park Centre Limited.

31. Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation and Life Assurance Scheme (UODS). Also for former academic and support staff of Duncan of Jordanstone College of Art and of Northern College, contributions are paid to the Scottish Teachers Superannuation Scheme (STSS) and two local government schemes, Strathclyde Pension Fund and Tayside Superannuation Fund.

The total pension cost for the University and its subsidiaries was:

	Note	2010/11 £000	2009/10 £000
USS contributions paid		12,059	11,639
UODS charge to income and expenditure		2,500	2,100
Contributions paid to other pension schemes		704	671
Total pension costs	6	15,263	14,410
Outstanding pension contributions at 31 July		1,884	1,814

Notes to the Accounts

■ 31. Pension schemes – continued

Other pension schemes

Former members of academic staff of Duncan of Jordanstone College of Art and of Northern College are covered by the Scottish Teachers Superannuation Scheme (STSS), which is an unfunded, multi-employer, defined benefits scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

The University also participates in two local government schemes (Strathclyde Pension Fund and Tayside Superannuation Fund), in respect of support staff who are former members of staff of Duncan of Jordanstone College of Art and of Northern College. For reasons of materiality, the University has accounted for its contributions as if these were defined contribution schemes.

1. Universities Superannuation Scheme (USS)

USS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the USS actuary reviews the progress of the USS scheme.

Following the latest actuarial valuation of the scheme at 31 March 2008, the contribution rate payable by the University to USS rose from 14% to 16% of pensionable salaries with effect from 1 October 2009.

Because of the mutual nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted 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.

2. University of Dundee Superannuation Scheme

The group operates a defined benefit pension scheme, the University of Dundee Superannuation Scheme (UODS). The scheme is funded by the payment of contributions to a separately administered fund. UODS is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the UODS actuary reviews the progress of the LGSS scheme.

Following the last triennial valuation undertaken as of 1 August 2008, the University's normal pensions contributions were agreed as 22.1% of pensionable earnings. This compares with a previous normal rate of contribution of 21.05%. The level of contribution (including cost of death in service) has been fixed to recover the deficit in the pensions fund, identified in the triennial valuation, over a period of 13 years.

Under the definitions set out in FRS 17, UODS is a defined benefit pension scheme. Accordingly, the University has implemented the accounting standard "FRS 17: Accounting for Retirement Benefits" to determine the University's net pension liability.

Notes to the Accounts

31. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

The material assumptions used by the actuary for FRS 17 at 31 July were:

	2011 %	2010 %
Price increases	2.95	2.85
Salary increases	4.2	4.1
Increases for pensions in payment:		
Fixed	3.0	3.0
RPI – subject to 5% maximum and 3% minimum	3.45	3.35
RPI – subject to 5% maximum	2.6	2.5
Discount rate	5.25	5.4

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 63 are:

	2011 years	2010 years
<i>Retiring today</i>		
Males	22.8	22.7
Females	25.1	25.1
<i>Retiring in 20 years</i>		
Males	23.9	23.9
Females	26.1	26.1

The assets in the scheme and the expected rate of return were:

	Long term rate of return			31 July 2011 £ Million	Value at	
	2011 %	2010 %	2009 %		31 July 2010 £ Million	31 July 2009 £ Million
Equities	7.0	7.0	7.3	47.9	41.4	35.4
Government Bonds	4.0	4.0	4.3	7.5	6.0	4.8
Corporate Bonds	5.4	5.4	6.0	10.7	8.8	5.9
Cash	4.0	4.0	4.3	2.5	1.6	1.0
				68.6	57.8	47.1

Notes to the Accounts

31. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

The following amounts at 31 July were measured in accordance with the requirements of FRS 17:

	2011 £000	2010 £000
Analysis of the amount shown in the balance sheet		
Total market value of assets	68,590	57,843
Present value of scheme liabilities	(91,200)	(81,600)
Deficit in the scheme	(22,610)	(23,757)
Related deferred tax asset	-	-
Net pension liability	(22,610)	(23,757)
	2011 £000	2010 £000
Analysis of the amount charged to staff costs within operating surplus		
Current Service Cost	2,500	2,100
Past Service Cost	-	-
Total operating charge	2,500	2,100
	2011 £000	2010 £000
Analysis of amount charged to interest payable		
Expected return on pension scheme assets	3,700	3,300
Interest on pension scheme liabilities	(4,400)	(4,300)
Net charge	(700)	(1,000)
	2011 £000	2010 £000
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	5,032	5,227
Changes in assumptions underlying the present value of scheme liabilities	(4,180)	(5,300)
Actuarial gain/(loss) recognised in STRGL	852	(73)

Notes to the Accounts

31. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

	2011 £000	2010 £000
Movement in deficit in the year		
Deficit in scheme at beginning of year	(23,757)	(24,084)
Movement in year:		
Current service cost	(2,500)	(2,100)
Contributions	3,495	3,500
Net charge on assets	(700)	(1,000)
Actuarial gain/(loss)	852	(73)
Deficit in scheme at end of year	(22,610)	(23,757)

	2011 £000	2010 £000
Analysis of the movement in the present value of the scheme liabilities		
At beginning of year	81,600	71,200
Current service cost	2,500	2,100
Interest cost	4,400	4,300
Death in service premiums included in service cost	-	-
Contributions by scheme participants	1,220	1,200
Actuarial loss	4,180	5,300
Net benefits paid	(2,700)	(2,500)
At end of year	91,200	81,600

	2011 £000	2010 £000
Analysis of movement in the market value of the scheme assets		
At the beginning of the year	57,843	47,116
Expected rate of return on scheme assets	3,700	3,300
Death in service costs	-	-
Actuarial gain	5,032	5,227
Contribution by the employer	3,495	3,500
Contributions by scheme participants	1,220	1,200
Net benefits paid	(2,700)	(2,500)
At end of year	68,590	57,843

Notes to the Accounts

31. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

History of experience gains and losses	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Cumulative					
Difference between the expected and actual return on scheme assets:					
Amount	5,032	5,227	(5,347)	(9,190)	1,366
Percentage of scheme assets	7.3%	9%	(11%)	(19%)	2.7%
Experience gains/(losses) on scheme liabilities:					
Amount	(4,180)	(5,300)	1,342	(660)	(70)
Percentage of the present value of scheme liabilities	(4.6%)	(6.5%)	1.9%	(1%)	(0.1%)
Total amount recognised in statement of total recognised gains and losses:					
Amount	852	(73)	(4,005)	(9,850)	6,044
Percentage of the present value of scheme liabilities	0.9%	0%	(5.6%)	(14.5%)	9.5%

The cumulative amount of actuarial loss recognised in the statement of total recognised gains and losses is £22,409k (2010: £23,261k).

Defined benefit scheme assets do not include any of the institution's own financial instruments, or any property occupied by the University.

The estimate for the employer contribution for the defined benefit scheme for the year 2011/12 is £3,600k.

The actual return on scheme assets in the year was £8,732k (2010: £8,527k).

Notes to the Accounts

■ 32. Subsidiary undertakings

The subsidiary companies wholly-owned or effectively controlled by the University and registered in Scotland are as follows:

Dundee University Utility Supply Company Limited of which the University owns 100% of the issued share capital of two £1 Ordinary Shares. The Company generates heat and power, mainly for the University.

Dundee University Project Management Limited, of which the University owns 100% of the issued share capital of one £1 Ordinary Share, is used to manage professional fees on major capital build projects.

AMCET Limited, of which the University owns 74% of the issued share capital of one hundred £1 Ordinary Shares. The Company's principal activity is the promotion, development and commercialisation of novel technology.

University of Dundee Nursery Limited of which the University owns 100% is limited by guarantee. The Company promotes the care and education of children of staff or students of the University.

Dundee University Press Limited, of which the University owns 70.1% of the issued share capital of one hundred and fifty thousand £1 Ordinary Shares. The primary activity of the company is to publish academic books.

Dundee University Incubator Limited of which the University owns 100% of the issued share capital of one hundred and forty seven thousand £1 Ordinary Shares. The primary activity of the company is in support of new ventures.

Dundee University Sports Village Limited of which the University owns 100% of the issued share capital of one £1 Ordinary Share. The company is dormant.



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