



University of Dundee

REPORTS & FINANCIAL STATEMENTS 2009/10



Reports and financial statements for the year ended 31 July 2010

Contents

	Pages
Operating and Financial Review	3 - 11
Corporate Governance	13 - 17
Independent Auditors' Report	18 - 19
Financial Statements	
Statement of Principal Accounting Policies	22 - 25
Consolidated Income and Expenditure Account	26
Statement of Group Total Recognised Gains and Losses	27
Balance Sheets	28 - 29
Consolidated Cash Flow Statement	30
Reconciliation of Net Cash Flow to Movement in Net Funds	30
Notes to the Accounts	
1 Scottish Funding Council Grants	31
2 Tuition Fees and Education Contracts	31
3 Research Grants and Contracts	31
4 Other Income	31
5 Endowment and Investment Income	32
6 Staff Costs	32 - 34
7 Other Operating Expenses	35
8 Interest and Other Finance Costs	35
9 Surplus on Continuing Operations for the Year	35
10 Tangible Fixed Assets	36 - 37
11 Investments	37
12 Endowment Asset Investments	38
13 Debtors	38
14 Creditors: amounts falling due within one year	38
15 Creditors: amounts falling due after more than one year	39
16 Provisions for Liabilities	40
17 Deferred Capital Grants (Group)	41
17 Deferred Capital Grants (University)	42
18 Endowments	43
19 Reserves	44
20 Reconciliation of Surplus to Net Cash Inflow from Operating Activities	45
21 Returns on Investments and Servicing of Finance	45
22 Capital Expenditure and Financial Investment	45
23 Management of Liquid Resources	46
24 Financing	46
25 Analysis of Changes in Net Funds	46
26 Capital Commitments	46
27 Contingent Liabilities	47
28 Post Balance Sheet Events	47
29 Bursaries and Other Student Support Funds	47
30 Disclosure of Related Party Transactions	48
31 Pension Schemes	48 - 53
32 Subsidiary Undertakings	54



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 in the year posting a significant increase for both the operating and overall surplus as compared to the previous year. This has been achieved through a combination of improved income generation and cost management. The Groups summarised results are as follows (Fig. 1):

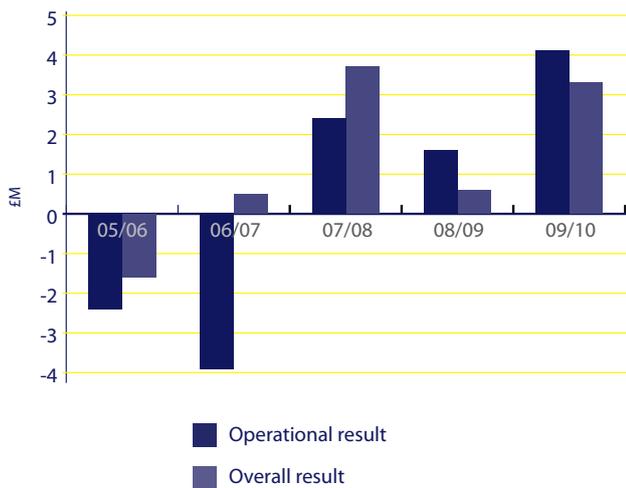
■ Fig. 1

	09/10 £m	08/09 £m
Income	219.1	207.7
Staff costs	(129.2)	(122.1)
Other operating expenses and depreciation	(84.9)	(83.2)
Endowments	0.2	0.4
Operating result (before interest and finance costs)	5.2	2.8
Interest and finance costs	(1.1)	(1.2)
Operating result	4.1	1.6
Restructuring costs / exceptional costs	(0.2)	(1.2)
Gain on disposal		0.7
Associate	(0.6)	(0.5)
Surplus for the year	3.3	0.6

The University continues to work towards its Strategic Framework to 2012, which provides a guide for the University as it delivers its mission in a complex and challenging world. This Framework incorporates a number of key targets which will enable the University to deliver its academic mission and ensure its long term financial sustainability. However, given the significant level of change in the external environment, and the fact that we are in any case approaching the end of the period covered by the existing Framework, the University is currently in the process of developing a new strategic plan.

The University has set itself the target of achieving a sustainable surplus of 3% of total income by 2012. The chart (Fig. 2) illustrates the recent developments in both the operating position of the University and the overall surplus. The operating result represents a significant improvement on recent years and equates to 1.9% of income.

■ Fig. 2 Financial Results



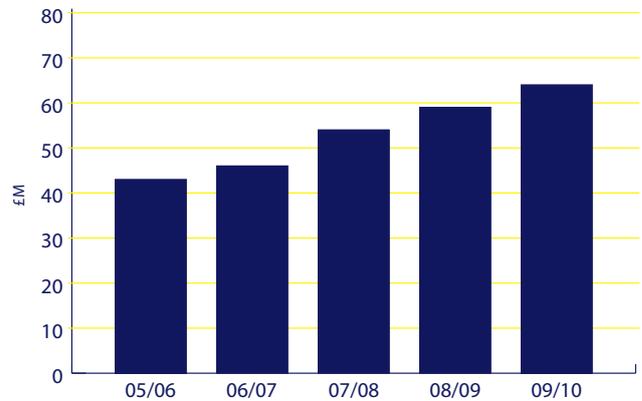
■ Income

Income increased by 5% in the year up to £219m. Income received from the Scottish Funding Council (SFC) was flat and now represents 38% of total income. This reflected a £0.6m reduction in the research grant following the Research Assessment Exercise (RAE) offset by an increased teaching grant. Tuition fees and education contracts rose by 11% with the main growth in non-EU fees.

In order to achieve its strategic goals, the University has set itself demanding income growth targets for research and tuition fees, the latter particularly in relation to postgraduate and overseas income.

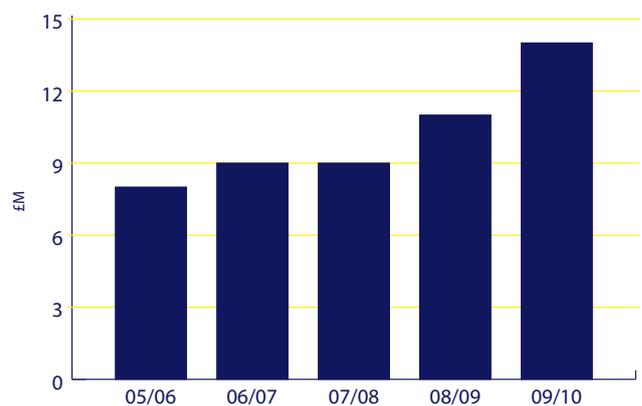
Research income continued to grow and was up by 9% in 2009/10, (Fig. 3) which was above the strategic target set for the year. This growth was the result of increased income from the Research Councils (+20%) and European Commission (+93%), there was also an increase in the percentage overhead recovery rate. UK Charities remain the largest group of funders but with a reduced share down from 37% to 35%. Measuring the grant income awarded over the year also gives a positive picture for the future with over £90m of awards received.

■ Fig. 3 Research Grants & Contracts



The University has benefited from a significant growth in tuition fees income during the year, in particular for postgraduate courses. Non-EU tuition fees increased by 22% in the year (Fig. 4) which follows on from a 27% increase in the previous year. However the proportion of our income generated by non-EU fees remains relatively low compared to comparator institutions in the sector, at just over 6% of our total income, and therefore the University continues to target further growth in this area notwithstanding challenges posed by the recently-introduced new student visa arrangements.

■ Fig. 4 Non - EU Tuition Fees



The proceeds from the property disposals programme were much reduced this year as a result of the downturn in the property market and due to the University taking a tactical decision to delay the sale of some properties until the market improves. However the University remains committed to reducing the overall footprint and thereby releasing capital as well as reducing running costs.



■ Expenditure

Total expenditure, before exceptional costs, increased by 4% in the year. Staff costs increased in the year by 6% and represent the largest element of expenditure. As a percentage of total income, staff costs remained static at 59%.

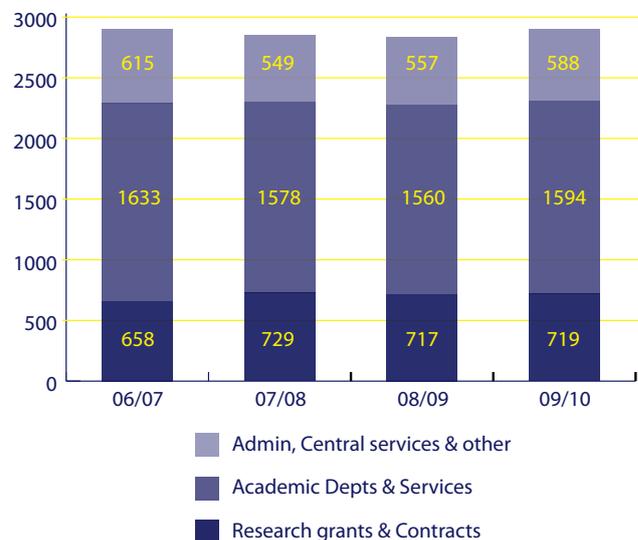
During the year the University saw increases in contributions to its two main pension schemes such that pension costs rose by 15% in the year. Excluding pension costs, staff costs rose by 5%. This increase is largely accounted for by the full year impact of the final settlement on the three year deal, the August 2009 settlement and incremental drift. Looking forward, an affordable outcome from the August 2010 pay settlement, which is yet to be agreed, will be very important.

Staff numbers increased in the year by 2%. The largest increase was within Academic Departments which increased by 40. Many of these posts are externally funded posts, including posts associated with the Scottish Institute for Cells Signalling (SCILLS), Tayside Academic Health Sciences and NHS funding, reflecting our success in external grant-getting. The increase in administration is partly offset by a reduction in academic services which is the result of staff transfers, the balance relates to specific initiatives. The increase in 'Other' reflects the increase in activity of non-core income generating activities.

As Fig. 5 illustrates, average staff numbers employed has been largely static over the past 4 years but with a change in the mix with the number of staff employed directly on research grants increasing by 9% offset by reductions in the other categories. There have also been increases in core posts being externally funded. During the year a review was undertaken of the previous voluntary severance scheme and it was demonstrated that posts lost have not been replaced.

■ Fig. 5

Staff Numbers



The Group gives full consideration to applications for employment from disabled persons. Where existing members of staff become disabled, it is the Group'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 & Diversity awareness of its staff through training, including elements relating to disability.

Other operating costs have increased by £1.3m (2%) in the year, of which £1m related directly to the increased research activity. Spend on academic activities increased marginally by £0.3m (2%); spend in other areas was flat.

Interest and other finance costs fell slightly to £1.1m from £1.2m. Loan interest costs fell again to £0.1m from £0.3m as a result of the University's improved cash position. Under FRS 17 pension finance costs were £1.0m as compared to £0.9m in the previous year.

The overall surplus for the year of £3.3m 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.



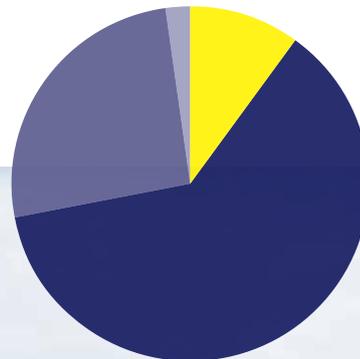
■ Capital Expenditure Programme

The cash expenditure on fixed assets was £19m which was in line with the prior year. In respect to future building investment the focus now, as identified in the Estates Strategy, is to maintain the campus to the highest possible standard. This will include a number of significant maintenance and infrastructure projects.

A key measure for the University is the proportion of the estate by floor area classified as new or sound. This currently stands at 72%, as illustrated in Fig. 6, as compared to 70% 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 2009/10 was £7.6m, compared to the previous year of £9.5m. In previous years, operating cash flow has been greatly enhanced by working capital movements and in particular creditors largely driven by increased research activity. In 2009/10 working capital increased cash flow slightly by £0.6m (2008/09 £4.4m), working capital related to research has been broadly flat.

The operating cash inflow strengthened the University cash position to increase net funds from £8.3m to £16.6m. However it should be noted that the University does have net current liabilities excluding cash balances of £41m representing 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 Group'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 2010, the Group had an average of 25 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 £25m. 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 £2m in the year which reflects 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 & 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 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.

The USS scheme completed its triennial valuation last year. The outcome of this was that the pension contribution rate payable by the University rose from 14% to 16% from 1 October 2009.

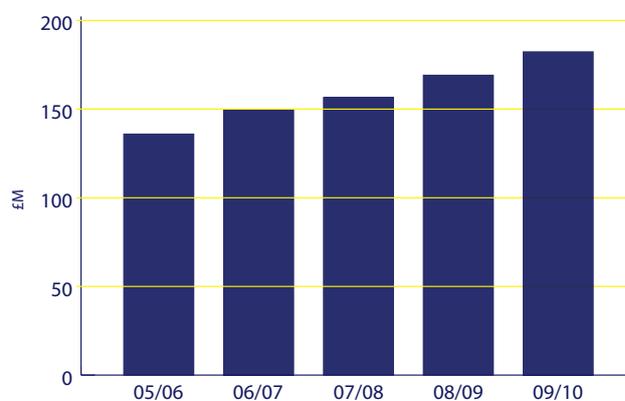
In the year pension costs increased by 15%, these increases represent a substantial cost to the University and clearly there are significant risks surrounding the future cost of these schemes. In response to this both the schemes have been subject to a review and a number of proposed changes are currently being consulted upon.



Balance Sheet

The net assets of the group increased during the year from £145m to £159m. Excluding the pension liability, net assets have risen by £13m to £182m largely as a result of the capital programme and the improved cash position. As the chart (Fig. 7) illustrates, net assets excluding pension liabilities have increased substantially (£46m) over the past five years due to the increased investment in fixed assets. Over the same period, net funds have moved from being negative £6.2m to a positive £16.6m, an improvement of £22.8m; this is a consequence of the significant external funding raised for the capital programme and positive working capital movements due to the research-related increase in creditors over the past few years.

■ Fig. 7 Net Assets excluding Pensions



Net current liabilities, excluding cash deposits, have increased in the year from £39m to £41m due to an increase in creditors.

Going forward, the University will continue to manage its capital investment plans effectively and will monitor working capital. Positive working capital movements 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.

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 Higher Education funding in Scotland and the impact that this will have on the University of Dundee. The University currently receives just under 40% of its income directly from the Scottish Government but this core funding is essential to leverage in additional funds such as tuition fees and research income. As a large element of the teaching funding that the University receives relates to the education of future public sector employees (doctors, dentists, nurses and teachers), any reduction associated with workforce planning in these areas of the public sector would have an impact on the demand for these courses. We also receive substantial funding (£18m) from the Research Councils so any reduction in the funds available to the Research Councils will make obtaining these funds even more competitive.

The University finances capital expenditure through a combination of internally generated funds and external capital funding. Any significant reduction in revenue grants, as above, will clearly impact upon the level of internally generated funds available. If there was also to be a significant reduction in SFC capital funding this would present a serious risk to the University's ability to deliver the objectives within the Estates Strategy.

In anticipation of these challenges the University embarked upon a strategic review in 2009. The strategic review has its focus upon improving excellence in teaching and research across the University, whilst at the same time aiming to deliver savings of between 10% and 12%. This will enable the University to be in a stronger position to compete for students and research grants as well as improving the financial sustainability of the University. However, this level of savings may not be enough depending upon the scale and timing of the funding reductions that the sector may be required to implement. In order to mitigate this risk the University is reviewing again its overall strategic framework including its current academic footprint and the key research themes that should underpin this. It is also both individually and through Universities Scotland continuing to make the case for investment in the sector.

There has been an increased demand for both undergraduate and postgraduate courses from individuals who would previously have expected to go into employment and from those seeking to upgrade their existing qualifications. However home student numbers are capped even more tightly than previously and the new immigration rules have made it more difficult for overseas students to get visas.

Plans are in place designed to maximise recruitment, however the potential further tightening of immigration rules presents a very real threat, as does the ability to grow numbers without the core funding required to underpin delivery.

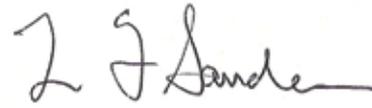
The University has significant cost pressures. Staff costs are by far the biggest element of costs and in recent years these costs have risen substantially. There are also pension cost pressures due to the lower investment performance and increased longevity leading to increased deficits and funding costs.

The University must continue to manage its cost base effectively, through the UK national pay negotiations as part of the Universities and Colleges Employers Association (UCEA), and continue to review the overall benefits package including pension provision. Significant progress has been made with the main pension schemes and proposed changes are currently being consulted upon.

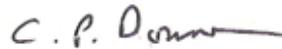
The University has made progress towards its goal of financial sustainability. There are however many more risks as a consequence of the current economic climate which will make the achievement of a 3% surplus much more difficult. The University is currently awaiting further information on the future funding outlook for the Scottish Higher Education sector but at the same time working to develop plans to enable the University to deal with significant reductions.

Conclusion

The financial performance for the year was a good result and represents a considerable improvement on the position of the University compared to recent years. This 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'] 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 (3) or co-opted (7). Co-opted members are selected by a 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 & Vice Chancellor.

Although Court meets at least five times each academic year, much of its detailed work is handled by committees, i.e. Finance & Policy, Human Resources, Governance & 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 2009/10, 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 2010/11. The Chairperson of Court is expected to meet with other Court members on an individual and informal basis regularly 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 & 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 & 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.

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.

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 & 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 2009/10)

		Committees					
		Court	Audit ¹	Finance & Policy ²	Governance & Nominations	Human Resources ³	Remuneration
		6 in year	4 in year	6 in year	5 in year	3 in year	1 in year
†Lord Naren Patel, Chancellor	To 31/07/10						
*Mr JR Milligan, Chairperson	To 31/07/10	6c		4	3c		1
‡*Mr E Sanderson, Chairperson		5		6c	3		
Professor CP Downes, Principal		6		6	5		
*Mr CJ Murray, Rector	To 12/02/10	1(of 3)			1(of 2)		
^*Dr B Cox, Rector	From 13/02/10	0(of 2)					
Professor RJ Abboud		6			5	2	
*Mr M Arnott		5					
Mr WI Ball		6		5	5		
Mr C Browne	From 25/10/10						
*Professor A Burchell		5	3				
*Mr R Burns		3	4c		3		1c
Mr D Cathcart		6				3	
*Mr J Elliot	From 01/08/10						
*Dr A Goligher	To 30/09/09	1(of 1)					
Mr C Kelly	From 01/08/10 to 01/10/10						
*Lord Provost Dr J Letford		2					
*Dr J Lowe		6		3(of 5)	3	3c	1
Dr LI McLellan		6		5(of 5)			
*Dr H Marriage		6	3			3	
Professor GJ Mires		5				2	
*Ms A Newton	To 31/07/10	3	2				0
*Ms CA Potter	From 01/08/10						
*Mr KA Richmond	From 01/08/10						
Dr AM Roger		6				1	
Mr A Smith	To 31/07/10	6		4(of 5)			
*Mr KAC Swinley	From 01/03/10	2(of 2)					
Professor J Taylor		6					
*Mr IDM Wright		6		6	5		

NOTES

* Lay Members

† Lord Patel was until 31/07/10 a member of Court. From 01/08/10, under revised Statutes, he is no longer a member of Court, but retains the right to attend meetings.

‡ Mr Sanderson was elected Chairperson to replace Mr Milligan, with effect from 01/08/10.

^ Dr Cox was until 31/07/10 a member of Court. From 01/08/10, under revised Statutes, he has elected to vest formal membership in his assessor (Mr M Arnott) and thus cease himself to be a formal member of the Court, although he retains the right to attend meetings.

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 2009/10) and Miss J Thomson (attended 3 times in 2009/10).

² The Finance & Policy Committee has one additional staff member, who is not a member of Court: Vice-Principal Professor J Calderhead (attended 5 times in 2009/10).

³ The Human Resources Committee has two additional staff members, who are not members of Court: Vice-Principal Professor AH Anderson (attended 2 times in 2009/10; left the Committee with effect 31/07/10) and Mr I Leith (attended 3 times in 2009/10). Vice-Principal Professor CA Whatley joined the Committee with effect from 01/08/10.

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

We have audited the consolidated financial statements of the University of Dundee for the year ended 31 July 2010 which comprise the consolidated income and expenditure account, the group and University balance sheets, the consolidated cash flow statement, the statement of group total recognised gains and losses, the statement of principal accounting policies and the related notes. These financial statements have been prepared under the accounting policies as set out in pages 22 to 25.

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

Respective responsibilities of the University Court and auditors

The University Court's responsibilities for preparing the Operating and Financial Review and the financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Corporate Governance Statement on pages 13 to 17.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the 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, have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice and 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

We also report to you whether income from the Scottish Funding Council, other grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Scottish Funding Council

We also report to you whether the information in the Operating and Financial Review is consistent with the financial statements.

In addition we report to you if in our opinion the University has not kept adequate accounting records, if the University's financial statements are not in agreement

with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. This information comprises only the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to other information.

■ Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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 the University Court in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 have 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 of the state of the University's affairs as at 31 July 2010 and of the University's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education;
- the information given in the Operating and Financial Review and Corporate Governance Statement is consistent with the financial statements for the year ended 31 July 2010;
- in all material respects, income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received;
- in all material respects, income received during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Scottish Funding Council.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditor, Chartered Accountants
1-4 Atholl Crescent, Edinburgh

15 December 2010



Financial Statements

Year ended 31 July 2010

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. The financial statements also conform to guidance published 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.

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 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. Bursaries and scholarships are accounted for gross as expenditure and included within operating 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. 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.

■ 7. Land and Buildings

Land and buildings are stated at cost. 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. 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 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, computer supplies and oil, and are brought into the accounts at the lower of cost and net realisable value.

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 2010

	Note	Group	
		2009/10 £000	2008/09 £000
Income			
Scottish funding council grants	1	82,669	82,341
Tuition fees and education contracts	2	35,999	32,510
Research grants and contracts	3	63,996	58,943
Other income	4	35,872	33,066
Endowment and investment income	5	554	827
Total income		219,090	207,687
Expenditure			
Staff costs	6	129,193	122,115
Restructuring costs	6	167	1,237
Other operating expenses	7	70,897	69,543
Depreciation	10	13,998	13,612
Interest and other finance costs	8	1,126	1,240
Total expenditure		215,381	207,747
Surplus / (deficit) after depreciation of tangible fixed assets and before tax		3,709	(60)
Share of operating loss in associate	16	(611)	(505)
Disposal of fixed assets		(22)	703
Surplus on continuing operations before minority interest and tax	9	3,076	138
Minority interest		3	7
Surplus on continuing operations after minority interest and tax		3,079	145
Surplus for the year transferred from endowment income		248	467
Surplus for the year retained within general reserves		3,327	612

All items of income and expenditure arise from continuing operations.

Statement of Group Total Recognised Gains and Losses Year ended 31 July 2010

	Note	Group	
		2009/10 £000	2008/09 £000
Surplus on continuing operations after minority interest and tax		3,079	145
Appreciation/(depreciation) of endowment assets	18	1,596	(980)
Additions to revaluation reserve		-	25
Surplus/(deficit) on revaluation of investments	11	33	(49)
New endowments	18	604	445
Transfer of expendable endowments	18	-	496
Actuarial loss in respect of pension schemes	31	(73)	(4,005)
Total recognised gain/(loss) relating to the year		5,239	(3,923)
Reconciliation			
Opening reserves and endowments		21,644	25,567
Total recognised gain/(loss) for the year		5,239	(3,923)
Closing reserves and endowments		26,883	21,644

Balance Sheets as at 31 July 2010

	Note	Group 2010 £000	Group 2009 £000	University 2010 £000	University 2009 £000
Fixed assets					
Tangible assets	10	207,775	202,276	206,864	201,322
Investments	11	1,108	1,253	1,213	1,328
		208,883	203,529	208,077	202,650
Endowment assets	12	18,918	16,966	18,918	16,966
Current assets					
Stocks		397	342	301	296
Debtors	13	22,603	18,949	23,311	19,129
Short-term investments		16,517	8,000	16,517	8,000
Cash at bank and in hand		2,333	2,975	1,742	2,804
		41,850	30,266	41,871	30,229
Creditors: amounts falling due within one year	14	(64,347)	(58,032)	(64,204)	(57,795)
Net current liabilities		(22,497)	(27,766)	(22,333)	(27,566)
Total assets less current liabilities		205,304	192,729	204,662	192,050
Creditors: amounts falling due after more than one year	15	(8,859)	(9,001)	(8,859)	(9,001)
Provisions for liabilities	16	(14,166)	(14,652)	(11,453)	(12,550)
Total net assets excluding pension liability		182,279	169,076	184,350	170,499
Net pension liability	31	(23,757)	(24,084)	(23,757)	(24,084)
Total net assets including pension liability		158,522	144,992	160,593	146,415

Balance Sheets

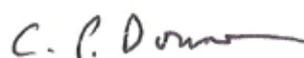
as at 31 July 2010

	Note	Group 2010 £000	Group 2009 £000	University 2010 £000	University 2009 £000
Represented by:					
Deferred capital grants	17	131,649	123,355	131,613	123,318
Endowments					
Expendable	18	4,292	3,911	4,292	3,911
Permanent	18	14,626	13,055	14,626	13,055
		18,918	16,966	18,918	16,966
Reserves					
Income and expenditure account excluding pension reserve	19	30,985	27,909	33,082	29,362
Pension reserve	19	(23,757)	(24,084)	(23,757)	(24,084)
Income and expenditure account including pension reserve		7,228	3,825	9,325	5,278
Revaluation reserve	19	737	853	737	853
Total Reserves		7,965	4,678	10,062	6,131
Minority interest		(10)	(7)	-	-
Total Funds		158,522	144,992	160,593	146,415

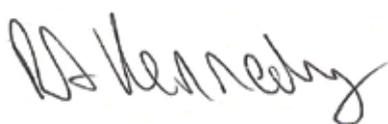
The financial statements on pages 22 to 54 were approved by the Court on 13 December 2010 and signed on its behalf by:



Eric F Sanderson
Chairman of Court



Professor C Peter Downes OBE FRSE
Principal & Vice Chancellor



Robert Kennedy
Director of Finance

The University of Dundee
Dundee DD1 4HN

Consolidated Cash Flow Statement

Year ended 31 July 2010

	Note	Group	
		2010 £000	2009 £000
Net cash inflow from operating activities	20	7,617	9,488
Returns on investments and servicing of finance	21	421	488
Capital expenditure and financial investment	22	270	3,002
Management of liquid resources	23	(8,517)	(8,000)
Financing	24	-	(2,000)
(Decrease)/increase in cash in the year	25	(209)	2,978

Reconciliation of net cash flow to movement in net funds

	Note	Group	
		2010 £000	2009 £000
(Decrease)/increase in cash in the year		(209)	2,978
Change in short term deposits		8,517	8,000
Change in debt		-	2,000
Other non-cash movements		-	-
Change in net funds		8,308	12,978
Net funds/(debt) at 1 August	25	8,297	(4,681)
Net funds at 31 July	25	16,605	8,297

Notes to the Accounts

	Note	Group 2009/10 £000	Group 2008/09 £000
1. Scottish funding council grants			
SFC recurrent teaching grant		52,651	52,082
SFC recurrent research grant		22,364	22,978
Release of deferred capital grants	17	3,845	2,950
Other SFC grants		3,809	4,331
Total		82,669	82,341
2. Tuition fees and education contracts			
UK and EU fees		19,914	19,023
Non-EU fees		13,535	11,132
Non-credit bearing course fees		885	666
Other contracts		1,665	1,689
Total		35,999	32,510
3. Research grants and contracts			
Research Councils		18,235	15,237
UK charities		22,662	22,235
European Commission		4,539	2,349
Other grants and contracts		14,989	16,513
Release of deferred capital grants	17	3,571	2,609
Total		63,996	58,943
4. Other income			
Residences, catering and conferences		7,305	7,425
Other services rendered		9,245	8,509
Health Authorities		6,354	4,713
Release of deferred capital grants	17	2,451	2,164
VAT recoveries		826	1,327
Other grants, donations and income		9,691	8,928
Total		35,872	33,066

Notes to the Accounts

	Note	Group 2009/10 £000	Group 2008/09 £000
5. Endowment and investment income			
Income from expendable endowments	18	18	57
Income from permanent endowments	18	406	511
Income from short-term investments		130	259
Total		554	827
6. Staff		Group 2009/10 £000	Group 2008/09 £000
Staff costs:			
Wages and salaries		106,149	101,289
Social security costs		8,634	8,306
Other pension costs	31	14,410	12,520
Total		129,193	122,115
		Group 2009/10 £000	Group 2008/09 £000
Compensation for loss of office payable to senior post-holders:			
Compensation payable		-	243

The severance pay was in accordance with terms approved by the Remuneration Committee

Notes to the Accounts

6. Staff costs – continued	Group 2009/10 £000	Group 2008/09 £000
Academic departments	70,292	66,013
Academic services	8,583	8,685
Research grants and contracts	30,282	29,036
Administration and central services	11,795	11,129
Premises	4,815	4,598
Other	3,042	2,259
Catering and residences	384	395
Total	129,193	122,115
Restructuring costs	167	1,237
Total	129,360	123,352

Restructuring costs relate to a voluntary severance scheme which was launched by the University in April 2007 and closed in April 2009.

Average staff numbers by major category	Group 2009/10 Number	Group 2008/09 Number
Academic departments	1,352	1,312
Academic services	242	248
Research grants and contracts	719	717
Administration and central services	299	286
Premises	197	194
Other	76	58
Catering and residences	16	19
Total	2,901	2,834

Notes to the Accounts

6. Staff costs – continued	Group 2009/10 Number	Group 2008/09 Number
Emoluments of the Principal	211	231

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 £33,064. (2008/09 - £30,138)

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:

	2009/10 Number Non-Clinical	2009/10 Number Clinical	2008/09 Number Non-Clinical	2008/09 Number Clinical
£70,000 - £79,999	27	1	25	1
£80,000 - £89,999	20	4	20	5
£90,000 - £99,999	5	10	4	13
£100,000 - £109,999	7	8	8	4
£110,000 - £119,999	4	10	4	8
£120,000 - £129,999	2	2	2	3
£130,000 - £139,999	2	6	2	3
£140,000 - £149,999	-	6	-	7
£150,000 - £159,999	-	6	-	7
£160,000 - £169,999	-	4	-	4
£170,000 - £179,999	-	3	-	3
£180,000 - £189,999	-	4	-	2
£190,000 - £199,999	-	1	-	2
£200,000 - £209,999	-	3	-	2
£210,000 - £219,999	-	1	-	1

Notes to the Accounts

	Group 2009/10 £000	Group 2008/09 £000
7. Other operating expenses		
Academic departments	13,137	13,271
Academic services	3,893	3,451
Research grants and contracts	20,851	19,823
Administration and central services	11,200	9,619
Premises	9,096	9,611
Other	5,236	6,234
Catering and residences	7,484	7,534
Total	70,897	69,543
Other operating expenses include:		
External auditors remuneration in respect of audit services	69	61
Internal auditors' remuneration	69	92
8. Interest and other finance costs	Group 2009/10 £000	Group 2008/09 £000
Loans repayable within five years	126	330
Loans repayable wholly or partly in more than five years	-	-
Net charge on pension scheme	1,000	910
Total	1,126	1,240
9. Surplus on continuing operations for the year	Group 2009/10 £000	Group 2008/09 £000
University surplus/(deficit) for the period	3,724	(851)
(Deficit)/surplus generated by associate and subsidiary undertakings	(648)	989
Surplus on continuing operations before minority interest and tax	3,076	138

Notes to the Accounts

10. Tangible fixed assets

Group	Land and Buildings Freehold £000	Equipment £000	Assets in the Course of Construction £000	Total £000
Cost				
At 1 August 2009	239,228	31,903	5,078	276,209
Additions	10,512	8,104	903	19,519
Transfers	5,074	-	(5,074)	-
Disposals	-	(87)	-	(87)
At 31 July 2010	254,814	39,920	907	295,641
Depreciation				
At 1 August 2009	(55,558)	(18,375)	-	(73,933)
Charge for Year	(7,637)	(6,361)	-	(13,998)
Disposals	-	65	-	65
At 31 July 2010	(63,195)	(24,671)	-	(87,866)
Net Book Value				
At 31 July 2010	191,619	15,249	907	207,775
At 1 August 2009	183,670	13,528	5,078	202,276
University				
Cost				
At 1 August 2009	238,983	29,890	5,078	273,951
Additions	10,512	8,094	844	19,450
Transfers	5,074	-	(5,074)	-
Disposals	-	(86)	-	(86)
At 31 July 2010	254,569	37,898	848	293,315
Depreciation				
At 1 August 2009	(55,496)	(17,133)	-	(72,629)
Charge for Year	(7,632)	(6,255)	-	(13,887)
Disposals	-	65	-	65
At 31 July 2010	(63,128)	(23,323)	-	(86,451)
Net Book Value				
At 31 July 2010	191,441	14,575	848	206,864
At 1 August 2009	183,487	12,757	5,078	201,322

Notes to the Accounts

10. Tangible fixed assets - continued	2010	2009
	£000	£000
Consolidated equipment includes assets held under finance leases as follows:		
Cost	39	39
Accumulated depreciation	39	36
Charge for year	3	13

Buildings with net book value of £68,671k and cost of £97,380k 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	University
	£000	£000
Balance at 1 August 2009	1,253	1,328
Disposals	(149)	(149)
Released to income and expenditure	(29)	1
Surplus on revaluation of investments	33	33
Balance at 31 July 2010	1,108	1,213

	Group only	
	2010	2009
	£000	£000
Listed investments	92	105
Index linked government stocks	960	1,062
Other	56	86
Total	1,108	1,253

Included in the above is £960k (2009 - £1,062k) in respect of investments for the future costs of early retirement pensions.

Notes to the Accounts

	Group 2010 £000	Group 2009 £000
12. Endowment asset investments		
Balance at 1 August	16,966	17,472
Additions	2,841	4,750
Disposals	(2,918)	(3,727)
Increase/(decrease) in market value of investments	1,596	(980)
Increase/(decrease) in cash balances held for endowment funds	433	(549)
Balance at 31 July	18,918	16,966
Market Value at 31 July:		
Convertibles (listed)	2,256	3,400
Equities (listed)	10,407	7,744
Bank balances	6,255	5,822
Total	18,918	16,966

Included in bank balances is £4,292k relating to expendable endowments.

	Group 2010 £000	Group 2009 £000	University 2010 £000	University 2009 £000
13. Debtors				
Amounts due within one year:				
Debtors	7,290	7,297	7,387	7,337
Amounts due from subsidiary companies	-	-	637	130
Prepayments and accrued income	15,313	11,652	15,287	11,662
Total	22,603	18,949	23,311	19,129

	Group 2010 £000	Group 2009 £000	University 2010 £000	University 2009 £000
14. Creditors: amounts falling due within one year				
Obligations under finance leases	-	3	-	3
Research grants received on account	22,449	25,689	22,449	25,689
Other payments received on account	14,705	11,670	14,705	11,670
Trade Creditors	5,799	4,141	5,727	4,081
Amounts due to subsidiary companies	-	-	108	312
Social security and other taxation payable	2,880	2,768	2,880	2,768
Accruals and deferred income	18,514	13,761	18,335	13,272
Total	64,347	58,032	64,204	57,795

Notes to the Accounts

	Group and University	
	2010	2009
	£000	£000
15. Creditors: amounts falling due after more than one year		
Unsecured loans	8,500	8,500
Accruals and deferred income	359	501
Total	8,859	9,001

	Group Only	
	2010	2009
	£000	£000
Analysis of unsecured loans:		
Due within one year or on demand	-	-
Due between one and two years	-	-
Due between two and five years	8,500	8,500
Due in five years or more	-	-
Total	8,500	8,500

Unsecured loans is represented by a revolving credit facility of £25m repayable in 2012, floating against base rate. At 31 July 2010, 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.

	Note	Group Only	
		2010	2009
		£000	£000
Obligations under finance leases and hire purchase contracts are as follows:			
In one year or less	14	-	3
Between two and five years		-	-
In five years or more		-	-
Total		-	3

Notes to the Accounts

16. Provisions for liabilities	Early Retirement Pension Costs £000	Other £000	Associated Company £000	2010 Total £000	2009 Total £000
Group					
At 1 August	7,973	4,577	2,102	14,652	12,593
Expenditure in the period	(498)	(1,813)	-	(2,311)	(2,099)
Additional provision required in year	428	786	611	1,825	4,158
At 31 July	7,903	3,550	2,713	14,166	14,652
University					
At 1 August	7,973	4,577		12,550	10,996
Expenditure in the period	(498)	(1,813)		(2,311)	(2,099)
Additional provision required in year	428	786		1,214	3,653
At 31 July	7,903	3,550		11,453	12,550

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; Higher Education Role Evaluation (HERA); VAT; legal claims; and exchange rate differences.

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

Associate

Dundee Student Villages Ltd (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 2010

	DSV Ltd £000	University share of DSV Ltd £000
Aggregate capital and reserves	(8,140)	(2,713)
Loss for the year	(1,912)	(637)
Incoming resources	5,888	1,963
Fixed assets	44,571	14,857
Current assets	4,994	1,648
Liabilities less than one year	(2,854)	(951)
Liabilities more than one year	(54,801)	(18,267)

Notes to the Accounts

17. Deferred capital grants	Note	Scottish Funding Council £000	Other Grants £000	Total £000
Group				
At 1 August 2009				
Buildings		64,785	49,712	114,497
Equipment		1,230	7,628	8,858
Total		66,015	57,340	123,355
Cash received				
Buildings		6,662	1,945	8,607
Equipment		3,577	5,977	9,554
Total		10,239	7,922	18,161
Released to income and expenditure				
Buildings		(2,776)	(1,691)	(4,467)
Equipment		(1,069)	(4,331)	(5,400)
Total	1,3,4	(3,845)	(6,022)	(9,867)
At 31 July 2010				
Buildings		68,671	49,966	118,637
Equipment		3,738	9,274	13,012
Total		72,409	59,240	131,649

Notes to the Accounts

17. Deferred capital grants	Note	Scottish Funding Council £000	Other Grants £000	Total £000
University				
At 1 August 2009				
Buildings		64,785	49,712	114,497
Equipment		1,230	7,591	8,821
Total		66,015	57,303	123,318
Cash received				
Buildings		6,662	1,945	8,607
Equipment		3,577	5,977	9,554
Total		10,239	7,922	18,161
Released to income and expenditure				
Buildings		(2,776)	(1,691)	(4,467)
Equipment		(1,069)	(4,330)	(5,399)
Total	1,3,4	(3,845)	(6,021)	(9,866)
At 31 July 2010				
Buildings		68,671	49,966	118,637
Equipment		3,738	9,238	12,976
Total		72,409	59,204	131,613

Notes to the Accounts

18. Endowments

	Group and University					
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2010 Total £000	2009 Total £000
Balances at 1 August						
Capital	3,617	8,083	11,700	3,911	15,611	16,054
Accumulated income	-	1,355	1,355	-	1,355	1,418
	3,617	9,438	13,055	3,911	16,966	17,472
Transfer from Creditors: amounts falling due after more than one year	-	-	-	-	-	496
New endowments	-	-	-	604	604	445
Investment income	123	283	406	18	424	568
Expenditure	(123)	(308)	(431)	(241)	(672)	(1,035)
Increase/(decrease) in market value of investments	493	1,103	1,596	-	1,596	(980)
At 31 July	4,110	10,516	14,626	4,292	18,918	16,966
Represented by:						
Capital	4,110	9,186	13,296	4,292	17,588	15,611
Accumulated income	-	1,330	1,330	-	1,330	1,355
Total	4,110	10,516	14,626	4,292	18,918	16,966

Notes to the Accounts

19. Reserves	Note	Group £000	University £000
Income and expenditure reserve			
At 1 August 2009		27,909	29,362
Transfer from revaluation reserve		149	149
Surplus retained for the year		3,327	3,971
Less pension surplus		(400)	(400)
At 31 July 2010		30,985	33,082
Pension reserve			
At 1 August 2009		(24,084)	(24,084)
Actuarial loss	31	(73)	(73)
Surplus retained within reserves		400	400
At 31 July 2010		(23,757)	(23,757)
Revaluation Reserve			
At 1 August 2009		853	853
Surplus on revaluation of investments		33	33
Transfer from revaluation reserve to general reserve in respect of: Disposal of investments		(149)	(149)
At 31 July 2010		737	737

Notes to the Accounts

20. Reconciliation of surplus before minority interest and tax to net cash inflow from operating activities	Note	2010 £000	2009 £000
Surplus on continuing operations		3,076	138
Depreciation	10	13,998	13,612
Deferred capital grants released to income	17	(9,867)	(7,723)
Investment income	5	(554)	(827)
Loss/(gain) on sale of tangible fixed assets		22	(703)
Interest payable	8	1,126	1,240
Increase in stocks		(55)	(63)
(Increase)/decrease in debtors		(3,653)	381
Increase in creditors		5,381	2,544
(Decrease)/increase in provisions		(1,097)	1,554
Change in value of investments		29	1
Share of loss in associate		611	505
Pension costs less contributions payable		(1,400)	(1,171)
Net cash inflow from operating activities		7,617	9,488

21. Returns on investments and servicing of finance	2010 £000	2009 £000
Income from endowments	423	568
Other interest received	130	284
Interest paid	(132)	(364)
Net cash inflow from returns on investments and servicing of finance	421	488

22. Capital expenditure and financial investment	2010 £000	2009 £000
Proceeds from sales of fixed assets	-	729
New endowments received	604	445
Receipts from disposal of fixed asset investments	149	266
Receipts from disposal of endowment asset investments	2,918	3,727
Payments to acquire endowment asset investments	(2,841)	(4,750)
Payments to acquire fixed assets	(18,721)	(17,937)
Deferred capital grants received	18,161	20,522
Net cash inflow from capital expenditure and financial investment	270	3,002

Notes to the Accounts

	2010 £000	2009 £000
23. Management of liquid resources		
Net increase in short term investments	(8,517)	(8,000)

	2010 £000	2009 £000
24. Financing		
Net movement in long term borrowings	-	(2,000)
Net Cash from financing	-	(2,000)

25. Analysis of changes in net funds	Note	Opening £000	Cash Flows £000	Non-Cash Changes £000	Closing £000
Cash at bank and in hand		2,975	(642)	-	2,333
Endowment assets	12	5,822	433	-	6,255
		8,797	(209)	-	8,588
Short term investments		8,000	8,517	-	16,517
Debt due within one year		-	-	-	-
Debt due after one year	15	(8,500)	-	-	(8,500)
Total		8,297	8,308	-	16,605

26. Capital commitments	Group 2010 £000	Group 2009 £000	University 2010 £000	University 2009 £000
Provision has not been made for the following capital commitments at 31 July:				
Commitments contracted for	7,880	12,142	7,880	12,142
Authorised but not contracted for	8,017	1,482	8,017	1,482
Total	15,897	13,624	15,897	13,624

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 £1.0m remains outstanding at 31 July 2010. 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	2009/10 Childcare £000	2009/10 Discretionary £00	2009/10 Total £000	2008/09 Total £000
Balance b/fwd	15	46	61	21
Allocation received in the year	205	685	890	858
Expenditure	(171)	(700)	(871)	(827)
Repaid as clawback	-	-	-	-
University contribution to funds	-	2	2	9
Virements	(30)	30	-	-
Balance c/fwd	19	63	82	61
Repayable as clawback	-	-	-	-
Retained by University for students	19	63	82	61

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.

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

	2010 £000	2009 £000
Due to Dundee Student Villages Ltd	(3)	(19)
Due from Dundee Student Villages Ltd	153	238

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	2009/10 £000	2008/09 £000
USS contributions paid		11,639	10,038
UODS charge to income and expenditure		2,100	1,830
Contributions paid to other pension schemes		671	652
Total pension costs	6	14,410	12,520
Outstanding pension contributions at 31 July		1,814	899

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:

	2010 %	2009 %
Price increases	2.85	3.05
Salary increases	4.1	4.3
Increases for pensions in payment:		
Fixed	3.0	3.0
RPI – subject to 5% maximum and 3% minimum	3.35	3.4
RPI – subject to 5% maximum	2.5	2.75
Discount rate	5.4	6.0

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

	2010 years	2009 years
<i>Retiring today</i>		
Males	22.7	22.6
Females	25.1	25.0
<i>Retiring in 20 years</i>		
Males	23.9	23.8
Females	26.1	26.0

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

	Long term rate of return			31 July 2010 £ Million	Value at	
	2010 %	2009 %	2008 %		31 July 2009 £ Million	31 July 2008 £ Million
Equities	7.0	7.3	7.9	41.4	35.4	36.1
Government Bonds	4.0	4.3	4.9	6.0	4.8	4.8
Corporate Bonds	5.4	6.0	6.6	8.8	5.9	6.2
Cash	4.0	4.3	5.0	1.6	1.0	0.5
				57.8	47.1	47.6

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:

	2010 £000	2009 £000
Analysis of the amount shown in the balance sheet		
Total market value of assets	57,843	47,116
Present value of scheme liabilities	(81,600)	(71,200)
Deficit in the scheme	(23,757)	(24,084)
Related deferred tax asset	-	-
Net pension liability	(23,757)	(24,084)
	2010 £000	2009 £000
Analysis of the amount charged to staff costs within operating surplus		
Current Service Cost	2,100	1,830
Past Service Cost	-	-
Total operating charge	2,100	1,830
	2010 £000	2009 £000
Analysis of amount charged to interest payable		
Expected return on pension scheme assets	3,300	3,480
Interest on pension scheme liabilities	(4,300)	(4,390)
Net charge	(1,000)	(910)
	2010 £000	2009 £000
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	5,227	(5,347)
Changes in assumptions underlying the present value of scheme liabilities	(5,300)	1,342
Actuarial loss recognised in STRGL	(73)	(4,005)

Notes to the Accounts

31. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

	2010 £000	2009 £000
Movement in deficit in the year		
Deficit in scheme at beginning of year	(24,084)	(20,340)
Movement in year:		
Current service cost	(2,100)	(1,830)
Contributions	3,500	3,001
Net charge on assets	(1,000)	(910)
Actuarial loss	(73)	(4,005)
Deficit in scheme at end of year	(23,757)	(24,084)

	2010 £000	2009 £000
Analysis of the movement in the present value of the scheme liabilities		
At beginning of year	71,200	67,900
Current service cost	2,100	1,830
Interest cost	4,300	4,390
Death in service premiums included in service cost	-	(65)
Contributions by scheme participants	1,200	1,095
Actuarial loss/(gain)	5,300	(1,342)
Net benefits paid	(2,500)	(2,608)
At end of year	81,600	71,200

	2010 £000	2009 £000
Analysis of movement in the market value of the scheme assets		
At the beginning of the year	47,116	47,560
Expected rate of return on scheme assets	3,300	3,480
Death in service costs	-	(65)
Actuarial gain/(loss)	5,227	(5,347)
Contribution by the employer	3,500	3,001
Contributions by scheme participants	1,200	1,095
Net benefits paid	(2,500)	(2,608)
At end of year	57,843	47,116

Notes to the Accounts

31. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

History of experience gains and losses	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Cumulative					
Difference between the expected and actual return on scheme assets:					
Amount	5,227	(5,347)	(9,190)	1,366	1,605
Percentage of scheme assets	9%	(11%)	(19%)	2.7%	3.6%
Experience gains/(losses) on scheme liabilities:					
Amount	(5,300)	1,342	(660)	(70)	(1,034)
Percentage of the present value of scheme liabilities	(6.5%)	1.9%	(1%)	(0.1%)	(1.6%)
Total amount recognised in statement of total recognised gains and losses:					
Amount	(73)	(4,005)	(9,850)	6,044	1,511
Percentage of the present value of scheme liabilities	-	(5.6%)	(14.5%)	9.5%	2.4%

The cumulative amount of actuarial loss recognised in the statement of total recognised gains and losses is £23,261k (2009: £23,188k).

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 2010/11 is £3,600k.

The actual return on scheme assets in the year was £8,527k (2009: £(1,867)k)

Notes to the Accounts

■ 32. Subsidiary undertakings

The subsidiary companies wholly-owned or effectively controlled by the University 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.







University of Dundee
Dundee
DD1 4HN

tel +44 (0) 1382 383000
web www.dundee.ac.uk

The University of Dundee is a registered Scottish Charity, No: SC015096