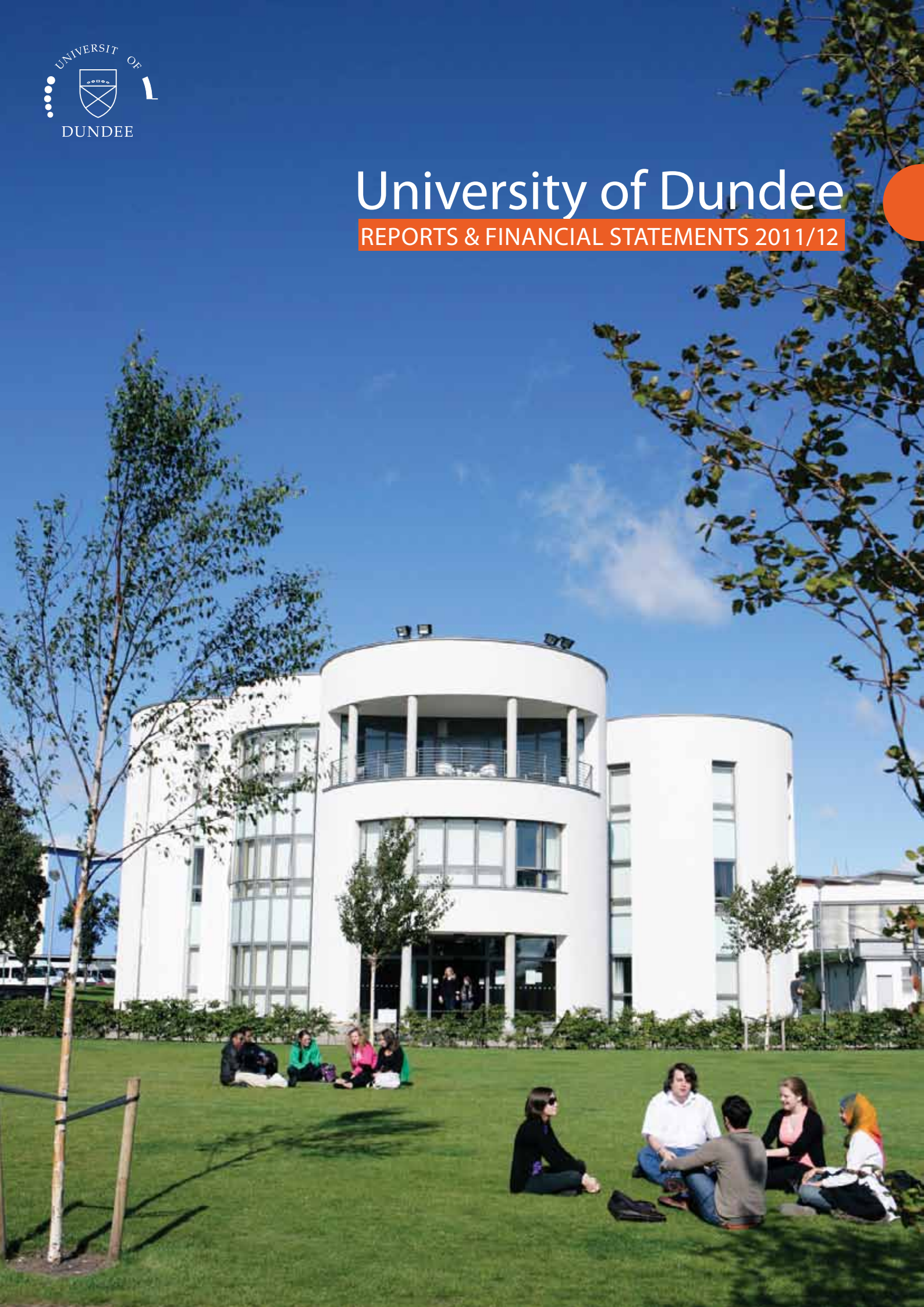


University of Dundee

REPORTS & FINANCIAL STATEMENTS 2011/12



Reports and financial statements for the year ended 31 July 2012

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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 31 of the financial report.

● Results for the Year

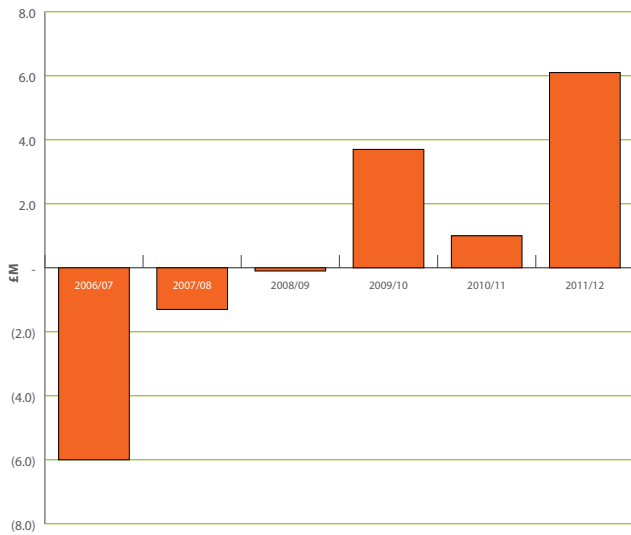
The University continued to improve its financial position, with an overall surplus for the year of £7.2m. This has been achieved despite a reduction in income and reflects the savings from the restructuring which took place in the previous year. The Group's summarised results are as follows:

● Fig. 1	2011/12 £m	2010/11 £m
Total income	223.3	229.2
Total expenditure	(217.2)	(228.2)
Operating surplus	6.1	1.0
Profit on disposal of fixed assets	0.9	1.2
Other items	0.2	0.3
Surplus for the year	7.2	2.5

The 2011/12 Financial Year is the last year covered by the University's Strategic Framework to 2012.

The operating surplus of £6.1m equates to 2.7% of income, which represents significant progress towards the University's primary financial sustainability target of 3%. The chart below illustrates the progress made in recent years in generating a sustainable surplus.

● Fig. 2 **Operating surplus**

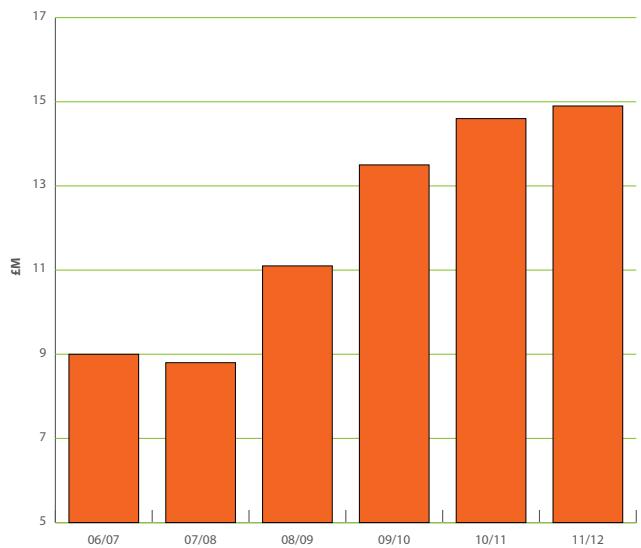


● **Income**

Total income for the year fell by 2.6% to £223.3m. Income from the Scottish Funding Council (SFC) fell by £4.6m mainly as a result of a lower teaching grant while SFC research grants were largely unchanged. Total income from SFC continues to fall as a percentage of total income, now standing at 35.1%.

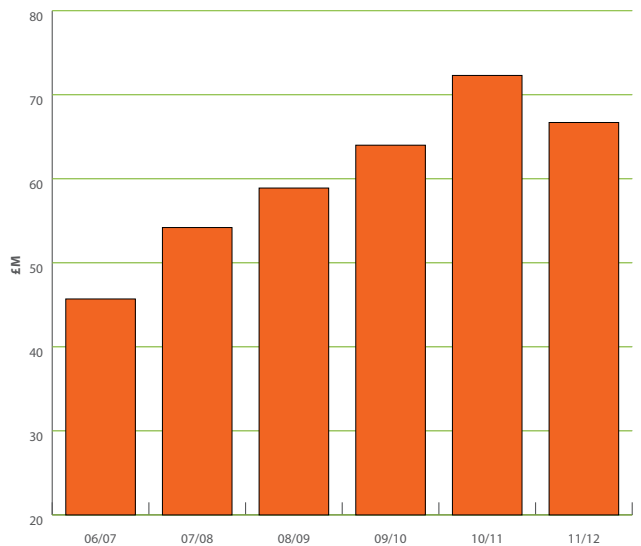
Income from tuition fees and education contracts rose by £1.3m. Within this figure the increase in fees from students coming from outside the EU was just £0.3m. The University continues to target further growth in this area, although efforts have been hampered by difficulties experienced by students in relation to visa regulations. Income from this category represents just 6.7% of total income which is significantly lower than comparable institutions.

● Fig. 3 **Non - EU tuition fees**



Research grants and contracts from other sources fell by £5.5m with the largest declines seen in funding from research councils, down £5.5m, and UK charities, down £1.1m. Research funded by the European Commission continues to grow reaching £5.4m in the year. The overall decline reflects the lower value of research grants awarded in the previous year. The value of grants awarded during 2011/12 has recovered to previous levels and this should lead to an increase in research income over the next year.

● Fig. 4 **Research grants and contracts**



The University continues to dispose of surplus properties which both generates cash to invest elsewhere in the estate and reduces ongoing running costs. However the value of disposals was below target reflecting the condition of the local property market.

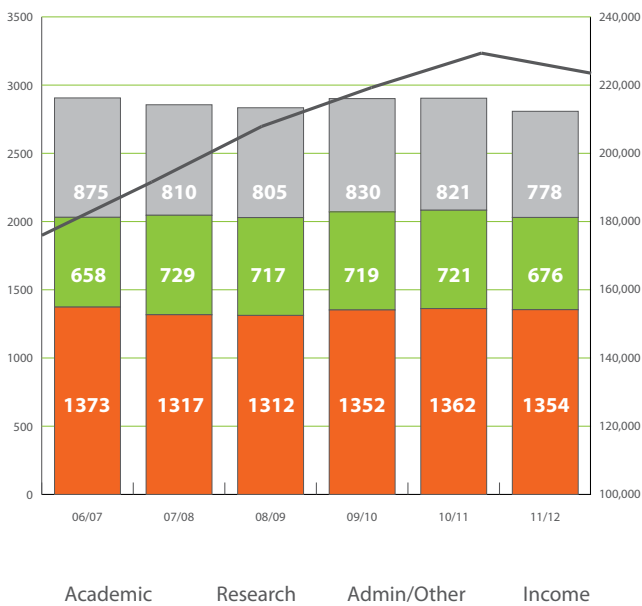


● Expenditure

Total expenditure, before exceptional costs, fell by £11.0m compared to the previous year. Significant savings were made in staff costs with restructuring costs falling by £3.2m and ongoing staff costs by a further £2.2m.

The following diagram shows that staff numbers are the lowest for six years despite income increasing by 27% over the same period.

● Fig. 5 **Staff numbers and income**



Other operating expenses were reduced by £4.6m in line with the reduction in teaching grants. Costs savings were made in both academic departments and administration and central services allowing the University to make a significant contribution towards the Efficient Government Initiative.

The depreciation charge for the year reduced from £17.5m to £16.3m. The main change related to short-life research equipment which is depreciated over the life of the contract from which it is funded. Interest and other finance costs increased slightly to £1.0m with the increase due to higher commitment fees on the University's borrowing facilities which extend to 2016.

The results for the year include the University's share of the loss in Dundee Student Villages (DSV) which is accounted for as an associated company. 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. The company continues to perform ahead of its funding requirements.

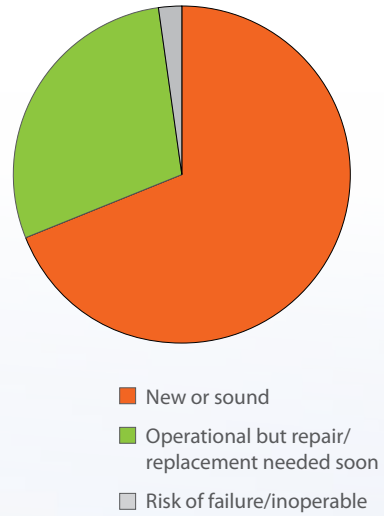
● Capital Expenditure Programme

Additions to fixed assets in the year were £14.3m, a similar level to the previous year. Of this £6.5m was funded from capital grants with the balance financed from University funds. The University has capital expenditure plans for several years ahead which aim to keep the current estate in a good condition while also making strategic investments in new facilities. In July 2012 work commenced on the new Centre for Translational and Interdisciplinary Research (CTIR), a £12.5m development for the College of Life Sciences.

A key measure for the University is the proportion of the estate by floor area classified as new or sound. This remains the same as the previous year at 69%, as illustrated below. The target is to increase this to 70% by 2015 which reflects the likely level of investment over the next few years. 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



● Treasury and Investments

The total value of cash and short term investments increased by £0.6m over the year to stand at £32.5m at the year end. The favourable cash position is helped by a significant proportion of income being received on account. At the end of the year total income received on account amounted to £38.2m. The balance sheet continues to show net current liabilities which amounted to £11.7m at the end of the year.

The University has in place a revolving credit facility of up to £34m. The nature of the revolving credit facility allows the University to borrow only to the extent necessary to meet cash requirements. The University also has a fully drawn loan facility of £8.5m which was used to fund the construction of a research building.

Endowments increased by £0.6m in the year despite the market value of investments falling by £0.3m. Management of these investments continued in the hands of independent fund managers whose performance is monitored by the University's Finance and Policy Committee.

● Supplier Payments

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 2012, the University had an average of 22 days' purchases outstanding in trade creditors. Interest paid under the Late Payments of Commercial Debts (Interest) Act 1998 is £nil.

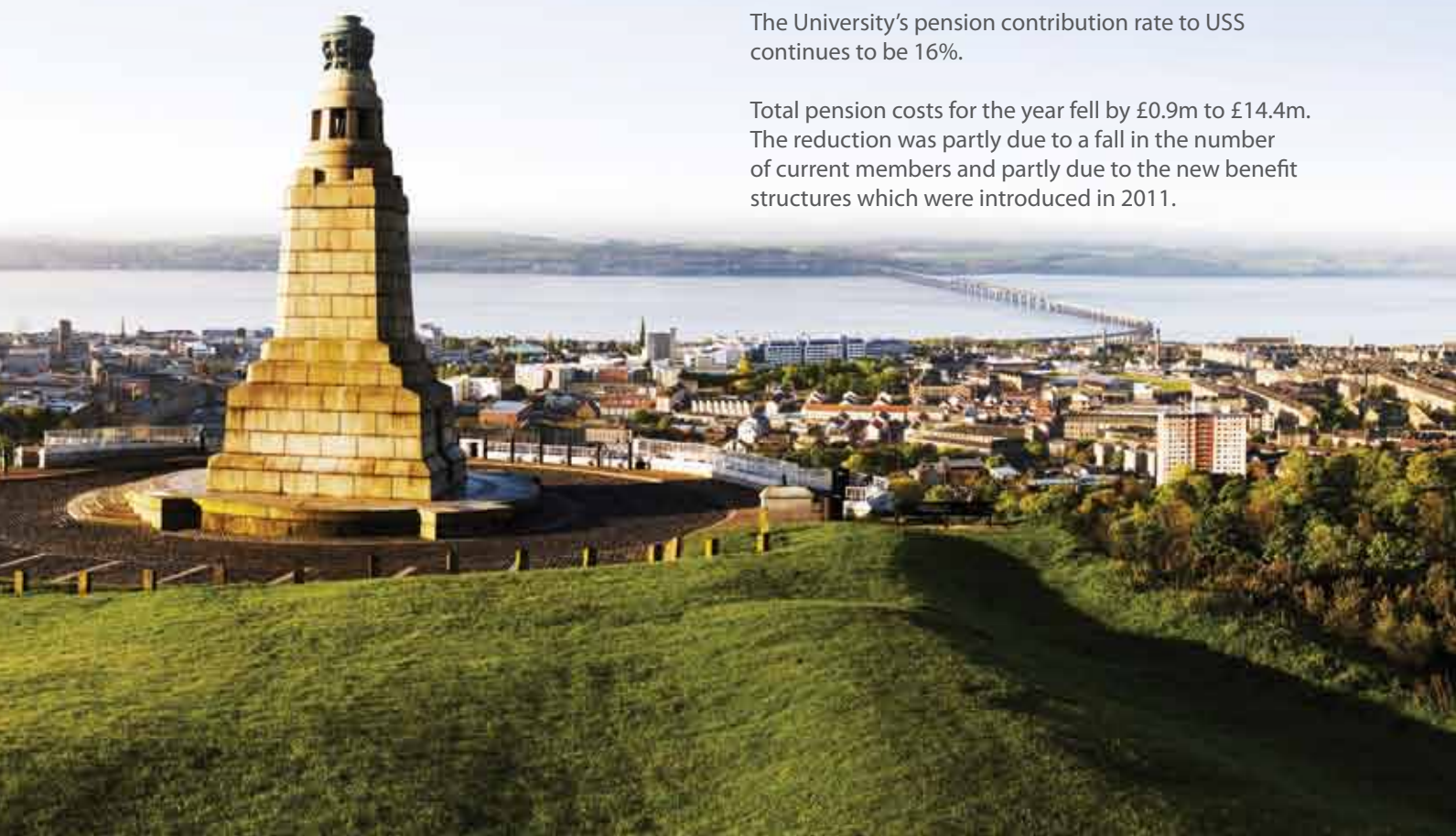
● Pensions

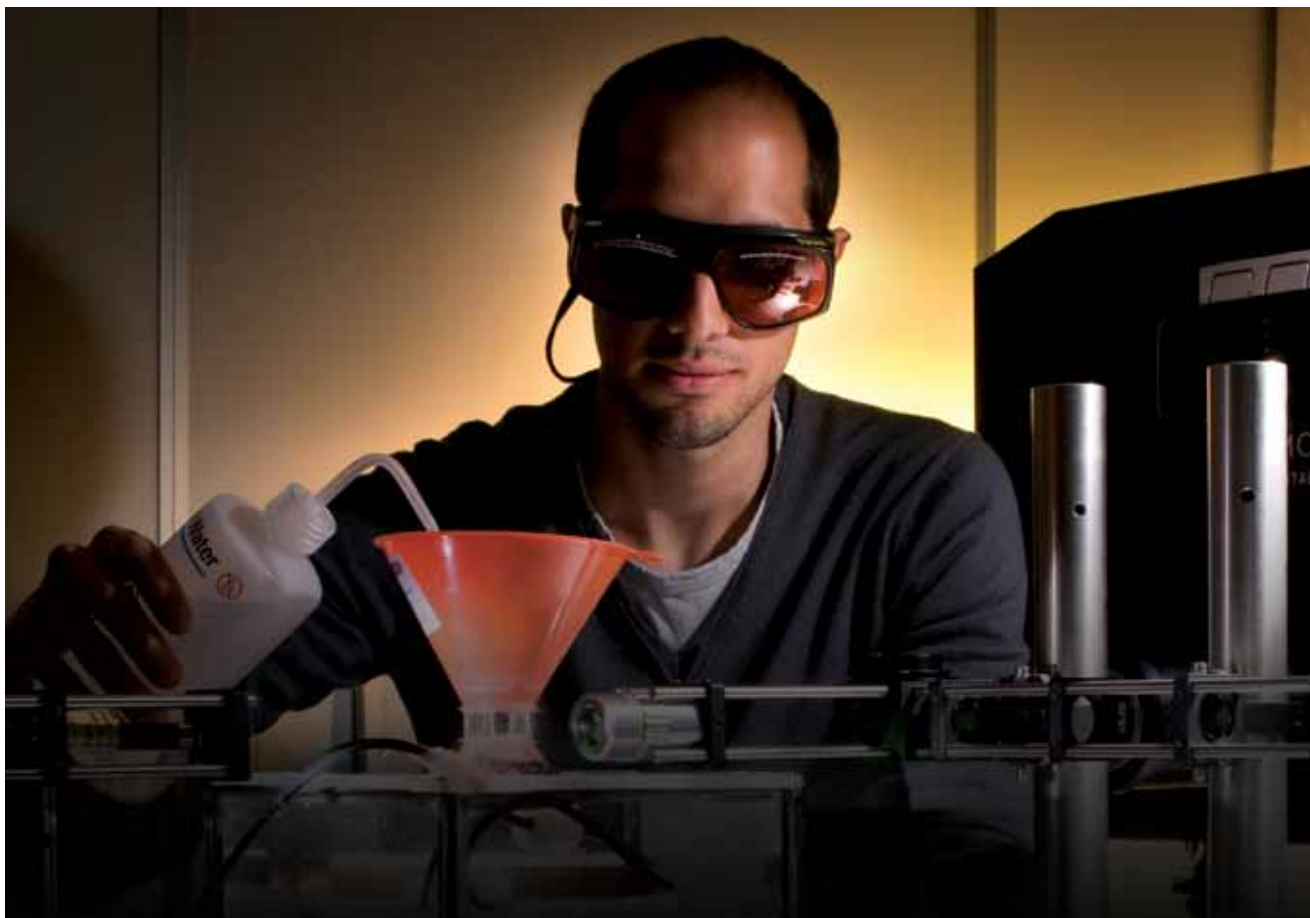
The main pension schemes of the Group are the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation Scheme (UODS). A detailed statement of these schemes is shown in Note 30 of the financial report, which has been prepared in accordance with FRS 17.

Following the triennial valuation of UODS undertaken as at 1 August 2011, the University's normal pension contributions remain at 22.1% of pensionable earnings. This level of contribution (including cost of death in service) has been fixed to recover the deficit in the pension fund, identified in the valuation, over a period of 8 years.

The University's pension contribution rate to USS continues to be 16%.

Total pension costs for the year fell by £0.9m to £14.4m. The reduction was partly due to a fall in the number of current members and partly due to the new benefit structures which were introduced in 2011.





● Equal Opportunities

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.

● 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.

A major risk for the University is associated with the potential for significant income streams to fall suddenly. Funding from the SFC represents over 35% of the University's total income. The publication by the SFC of indicative funding for the Scottish Higher Education sector for the next three years has helped to reduce the uncertainty around this source of income which has been subject to significant variation in the last few years.

The changes in the way undergraduate courses are funded at universities in England, Wales and Northern Ireland also affects universities in Scotland. The number of students from the rest of the UK (RUK) accepting places at Dundee in September 2012 fell by 28.7% and it is unclear whether this will become a trend in future years. The reduction in RUK students does impact income as these students are no longer included within the numbers funded by SFC grants.

Research is another major contributor to the University and income from this source declined during the year. However, the value of new grants awarded in 2011/12 increased over the previous year which should underpin this source of income in 2012/13. The result of the Research Excellence Framework (REF) in 2014 will have a significant impact on research income beyond that date and the University has well developed plans to maximise its result from the REF.

Demand for postgraduate courses at the University remains strong, particularly from overseas students. Immigration controls continue to be applied rigorously and the extended time taken to process visas by consulates in some countries causes delays for a significant number of applicants. In addition, action by the UK Border Agency (UKBA) against universities believed to be in default of UKBA regulations may change the way overseas students perceive the UK as a place where they would wish to pursue their education.

The strength and reputation of the University depends very much on the quality, experience and expertise of its employees. In a competitive environment other organisations will look to recruit our staff, particularly in the period ahead of the REF. There are many initiatives across the University to ensure we recruit, retain and develop excellent staff and to minimise the loss of any high performing individuals.

Staff costs are the most significant costs borne by the University. In order to ensure we offer remuneration which is consistent with the rest of the higher education sector we participate in national pay negotiations as a member of the Universities and Colleges Employers Association (UCEA). All staff are also able to join a defined benefit pension scheme. In line with many similar schemes the cost of providing this benefit has risen significantly in recent years due to historically low interest rates and increasing longevity. Recent changes to the benefit structures of these schemes has helped to moderate these cost increases.

Other costs continue to be tightly managed through budgetary controls and effective procurement. The University made a full contribution to the Scottish Government's Efficient Government Initiative, which finished in 2011, and will continue to use the same methodology to deliver further savings and ensure the University continues to provide value for money.

● Financial Strategy to 2017

A new financial strategy has been developed as an integral part of the University's new strategy to 2017. The main part of the financial strategy is to achieve an increasing return on income. This will give greater financial strength to the organisation in a difficult economic environment where access to additional funding is uncertain. It will also provide funds to allow further investment in all aspects of the University's activity.

● Conclusion

The financial performance for the year shows a significant improvement over previous years and represents the results of many initiatives to improve the financial sustainability of the organisation. However, the outlook for the future remains uncertain both in the HE sector and the wider economy. A number of strategic investments to strengthen the University are planned for 2012/13 and the cost of these coupled with the relentless rise in costs means that the operating surplus is expected to fall back in the next financial year. Nevertheless, the investments in pursuit of the new financial strategy should position the University well to meet these challenges.



Eric F Sanderson
Chairman of Court



Professor C Peter Downes OBE FRSE
Principal and Vice-Chancellor



Corporate 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 considered to be 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 2011/12, 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 2012 in accordance with best practice. The Chairperson of Court is expected to meet with other Court members on an individual and informal basis biannually 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 Senior Management Team also 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 full time equivalent (fte) and space and energy efficiency. A new University strategy for the period beyond 2012 was 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. During the year in question, the Court and the Audit Committee have taken an active role in identifying and evaluating the significant risks facing the University; this process includes oversight of the University's strategy for managing these risks. The process has been regularly reviewed.

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 2011/12)

		Committees					
		Court	Audit ¹	Finance and Policy	Governance and Nominations	Human Resources ²	Remuneration
		7 in year	4 in year	6 in year	2 in year	4 in year	3 in year
*Mr EF Sanderson, Chairperson		7c		5	2c		3
Professor CP Downes, Principal		7		4	1		
Professor R Abboud		6			1	3	
*Mr M Arnott		3					
Professor SM Black	From 01/01/12	3 (of 3)		2 (of 2)			
*Professor A Burchell		7	2		2		
*Mr R Burns		5		6c	2		3c
*Ms SC Campbell	From 01/03/12	1 (of 2)					
Mr D Cathcart	To 31/07/12	7				2	
*Lord Provost Mr R Duncan	From 21/05/12	0					
*Mr J Elliot		7	4				3
Mr M Kendrick	To 31/07/12	5			1		
Mr IA Kennedy		6		6			
Ms S Krawczyk	From 01/08/12						
*Lord Provost Dr J Letford	To 03/05/12	0					
*Dr J Lowe		4		5	2	4c	3
*Dr H Marriage		7	4c			4	
Ms J McGovern	From 01/08/12						
Dr LI McLellan	To 31/12/11	4 (of 4)		3 (of 3)			
Professor GJ Mires		5				3	
*Ms CA Potter		5				3	
Dr A Reeves		6		6			
*Mr KA Richmond ³		4		4			
Dr AM Roger		5				2	
*Mr KAC Swinley ³		3	3				
Professor J Taylor		6			2		
*Mr IDM Wright		7		5	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 2011/12) and Mr I Stewart (attended 4 times in 2011/12).

² The Human Resources Committee has two additional staff members, who are not members of Court: Mr I Leith (attended 2 times in 2011/12) and Vice-Principal Professor CA Whatley (attended 2 times in 2011/12).

³ Mr Swinley and Mr Richmond are also Trustees of the University of Dundee Superannuation Scheme and both attended all of the Trustees' 4 meetings in 2011/12 (Mr Swinley as the Chairperson).

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

We have audited the group and parent institution financial statements (the “financial statements”) of the University of Dundee for the year ended 31 July 2012 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Statement of Group Total Recognised Gains and Losses, the Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow Movement in net Funds 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 2012 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 the 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

14 December 2012

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

Notes:

- 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.
- 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 2012



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 31. 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 Group's share of the profit or losses of Dundee Student Villages Limited (DSV), an associated undertaking, and the consolidated balance sheet similarly includes the Group's 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 section 287 CTA 2009 and sections 471, and 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 2012

		Group	
	Note	2011/12 £000	2010/11 £000
Income			
Scottish funding council grants	1	78,455	83,055
Tuition fees and education contracts	2	37,815	36,509
Research grants and contracts	3	66,742	72,280
Other income	4	39,504	36,641
Endowment and investment income	5	800	726
Total income		223,316	229,211
Expenditure			
Staff costs	6	128,080	130,264
Restructuring costs	6	651	3,847
Other operating expenses	7	71,218	75,774
Depreciation	10	16,294	17,487
Interest and other finance costs	8	977	846
Total expenditure		217,220	228,218
Surplus after depreciation of tangible fixed assets		6,096	993
Share of operating loss in associate	16	(243)	(529)
Surplus after depreciation of assets		5,853	464
Minority interest		7	6
Surplus before exceptional items		5,860	470
Exceptional items: continuing operations			
Disposal of fixed assets		896	1,213
Surplus on continuing operations after depreciation of assets and disposal of assets	9	6,756	1,683
Surplus for the year transferred from endowment income		448	787
Surplus for the year retained within general reserves		7,204	2,470

All items of income and expenditure arise from continuing operations.

Statement of Group Total Recognised Gains and Losses

Year Ended 31 July 2012

	Note	Group	
		2011/12 £000	2010/11 £000
Surplus on continuing operations after depreciation of assets and disposal of assets		6,756	1,683
(Depreciation)/appreciation of endowment assets	18	(333)	1,669
Additions to revaluation reserve		-	3
Surplus on revaluation of investments	11	11	85
New endowments	18	1,362	469
Actuarial (loss)/gain in respect of pension schemes	30	(1,667)	852
Total recognised gain relating to the year		6,129	4,761
Reconciliation			
Opening reserves and endowments		31,644	26,883
Total recognised gain for the year		6,129	4,761
Closing reserves and endowments		37,773	31,644

Balance Sheets as at 31 July 2012

	Note	Group 2012 £000	Group 2011 £000	University 2012 £000	University 2011 £000
Fixed assets					
Tangible assets	10	203,165	205,187	201,495	203,924
Investments	11	845	1,066	950	1,171
		204,010	206,253	202,445	205,095
Endowment assets	12	20,879	20,298	20,879	20,298
Current assets					
Stocks		330	386	197	260
Debtors	13	24,825	25,036	26,880	26,223
Short-term investments		22,544	29,670	22,544	29,670
Cash at bank and in hand		9,961	2,237	8,963	1,294
		57,660	57,329	58,584	57,447
Creditors: amounts falling due within one year	14	(69,329)	(71,007)	(69,146)	(70,498)
Net current liabilities		(11,669)	(13,678)	(10,562)	(13,051)
Total assets less current liabilities		213,220	212,873	212,762	212,342
Creditors: amounts falling due after more than one year	15	(9,654)	(8,968)	(9,654)	(8,968)
Provisions for liabilities	16	(16,546)	(18,538)	(13,061)	(15,296)
Total net assets excluding pension liability		187,020	185,367	190,047	188,078
Net pension liability	30	(23,641)	(22,610)	(23,641)	(22,610)
Total net assets including pension liability		163,379	162,757	166,406	165,468

Balance Sheets

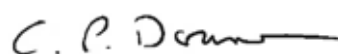
as at 31 July 2012

	Note	Group 2012 £000	Group 2011 £000	University 2012 £000	University 2011 £000
Deferred capital grants	17	125,630	131,129	125,609	131,106
Endowments					
Expendable	18	4,174	3,883	4,174	3,883
Permanent	18	16,705	16,415	16,705	16,415
		20,879	20,298	20,879	20,298
Reserves					
Income and expenditure account excluding pension reserve	19	39,988	33,258	43,012	35,976
Pension reserve	19	(23,641)	(22,610)	(23,641)	(22,610)
Income and expenditure account including pension reserve		16,347	10,648	19,371	13,366
Revaluation reserve	19	547	698	547	698
Total Reserves		16,894	11,346	19,918	14,064
Minority interest		(24)	(16)	-	-
Total Funds		163,379	162,757	166,406	165,468

The financial statements on pages 20 to 52 were approved by the Court on 10 December 2012 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 2012

	Note	Group	
		2012 £000	2011 £000
Net cash inflow from operating activities	20	4,405	14,411
Returns on investments and servicing of finance	21	554	589
Capital expenditure and financial investment	22	(3,267)	(2,290)
Cash inflow		1,692	12,710
Management of liquid resources	23	7,126	(13,153)
Increase/(decrease) in cash in the year	24	8,818	(443)

Reconciliation of net cash flow to movement in net funds

	Note	Group	
		2012 £000	2011 £000
Increase/(decrease) in cash in the year		8,818	(443)
Change in short term deposits		(7,126)	13,153
Change in net funds		1,692	12,710
Net funds at 1 August	24	29,315	16,605
Net funds at 31 July	24	31,007	29,315

Notes to the Financial Statements

	Note	Group 2011/12 £000	Group 2010/11 £000
1. Scottish funding council grants			
SFC recurrent teaching grant		46,516	51,644
SFC recurrent research grant		22,775	22,943
SFC non-recurrent research grant		4,229	3,913
Release of deferred capital grants	17	4,572	4,258
Other SFC grants		363	297
Total		78,455	83,055
2. Tuition fees and education contracts			
UK and EU fees		20,252	19,946
Non-EU fees		14,898	14,559
Non-credit bearing course fees		714	688
Other contracts		1,951	1,316
Total		37,815	36,509
3. Research grants and contracts			
Research Councils		17,997	23,466
UK charities		22,284	23,349
European Commission		5,416	4,688
Other grants and contracts		16,456	15,133
Release of deferred capital grants	17	4,589	5,644
Total		66,742	72,280
4. Other income			
Residences, catering and conferences		7,537	7,783
Other services rendered		9,411	8,835
Health Authorities		6,189	6,008
Release of deferred capital grants	17	2,812	2,885
VAT recoveries		351	565
Other grants, donations and income		13,204	10,565
Total		39,504	36,641

Notes to the Financial Statements

	Note	Group 2011/12 £000	Group 2010/11 £000
5. Endowment and investment income			
Income from expendable endowments	18	19	18
Income from permanent endowments	18	463	481
Income from short-term investments		318	227
Total		800	726
6. Staff			
Staff costs:			
Wages and salaries		105,001	106,217
Social security costs		8,678	8,784
Other pension costs	30	14,401	15,263
Total		128,080	130,264
Compensation for loss of office payable to senior post-holders:			
Compensation payable		256	328

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

Notes to the Financial Statements

6. Staff costs – continued	Group 2011/12 £000	Group 2010/11 £000
Academic departments	70,324	71,217
Academic services	7,580	7,590
Research grants and contracts	29,880	30,885
Administration and central services	12,547	12,697
Premises	4,561	4,820
Other	2,882	2,666
Catering and residences	306	389
Total	128,080	130,264
Restructuring costs	651	3,847
Total	128,731	134,111

Restructuring costs relate to a voluntary severance scheme which was launched by the University in October 2010 and closed in February 2011. Deferred applications for voluntary severance have been approved in 2011/12.

Average staff numbers by major category	Group 2011/12 Number	Restated Group 2010/11 Number
Academic departments	1,354	1,362
Academic services	206	223
Research grants and contracts	676	721
Administration and central services	313	314
Premises	175	195
Other	71	75
Catering and residences	13	14
Total	2,808	2,904

The numbers for 2010/11 have been restated due to the omission of seven full time equivalent staff in the subsidiary companies.

Notes to the Financial Statements

6. Staff costs – continued	Group 2011/12 £000	Group 2010/11 £000
Emoluments of the Principal	219	212

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

The University's pension contributions to USS in respect of the Principal are paid at the same rates as for other academic staff and amounted to £23,254 (2010/11 - £33,903). In April 2012, the Principal opted out of the scheme.

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:

	2011/12 Number Non-Clinical	2011/12 Number Clinical	2010/11 Number Non-Clinical	2010/11 Number Clinical
£70,000 - £79,999	30	3	24	2
£80,000 - £89,999	27	7	21	4
£90,000 - £99,999	10	4	11	6
£100,000 - £109,999	3	11	8	11
£110,000 - £119,999	4	9	3	10
£120,000 - £129,999	4	8	3	6
£130,000 - £139,999	5	1	4	-
£140,000 - £149,999	-	9	-	11
£150,000 - £159,999	-	10	-	8
£160,000 - £169,999	-	2	-	3
£170,000 - £179,999	-	2	-	3
£180,000 - £189,999	-	5	-	5
£190,000 - £199,999	-	-	-	1
£200,000 - £209,999	-	4	-	4
£210,000 - £219,999	-	2	-	1

Notes to the Financial Statements

	Group 2011/12 £000	Group 2010/11 £000
7. Other operating expenses		
Academic departments	12,447	14,583
Academic services	4,248	3,881
Research grants and contracts	22,121	22,711
Administration and central services	11,443	12,121
Premises	10,523	9,681
Other	3,663	5,224
Catering and residences	6,773	7,573
Total	71,218	75,774

Other operating expenses include:

External auditors' remuneration in respect of audit services	64	70
Internal auditors' remuneration	85	80

	Group 2011/12 £000	Group 2010/11 £000
8. Interest and other finance costs		
Loans repayable within five years	275	146
Net charge on pension scheme	702	700
Total	977	846

	Group 2011/12 £000	Group 2010/11 £000
9. Surplus on continuing operations for the year		
University surplus for the year	7,061	2,304
Deficit generated by associate and subsidiary undertakings	(305)	(621)
Surplus on continuing operations after depreciation of assets and disposal of assets	6,756	1,683

Notes to the Financial Statements

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 2011	261,509	46,273	2,732	310,514
Additions	6,795	5,553	1,924	14,272
Transfers	768	-	(768)	-
At 31 July 2012	269,072	51,826	3,888	324,786
Depreciation				
At 1 August 2011	(71,739)	(33,588)	-	(105,327)
Charge for Year	(8,479)	(7,815)	-	(16,294)
At 31 July 2012	(80,218)	(41,403)	-	(121,621)
Net Book Value				
At 31 July 2012	188,854	10,423	3,888	203,165
At 1 August 2011	189,770	12,685	2,732	205,187
University				
Cost				
At 1 August 2011	261,264	44,251	2,212	307,727
Additions	6,795	5,483	1,475	13,753
Transfers	768	-	(768)	-
At 31 July 2012	268,827	49,734	2,919	321,480
Depreciation				
At 1 August 2011	(71,666)	(32,137)	-	(103,803)
Charge for Year	(8,475)	(7,707)	-	(16,182)
At 31 July 2012	(80,141)	(39,844)	-	(119,985)
Net Book Value				
At 31 July 2012	188,686	9,890	2,919	201,495
At 1 August 2011	189,598	12,114	2,212	203,924

Notes to the Financial Statements

10. Tangible fixed assets - continued

Buildings with net book value of £70,455k and cost of £105,515k 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	2012 £000	2011 £000
Balance at 1 August	1,066	1,108
Disposals	(231)	(127)
Released to income and expenditure	(1)	-
Surplus on revaluation of investments	11	85
Balance at 31 July	845	1,066
Value at 31 July:		
Listed investments	1	112
Index linked government stocks and investment trusts	788	898
Other	56	56
Total	845	1,066
University		
Balance at 1 August	1,171	1,213
Disposals	(231)	(127)
Released to income and expenditure	(1)	-
Surplus on revaluation of investments	11	85
Balance at 31 July	950	1,171
Value at 31 July:		
Listed investments	1	112
Index linked government stocks and investment trusts	788	898
Subsidiary companies	105	105
Other	56	56
Total	950	1,171

Included in the above is £788k (2011 - £898k) in respect of investments for the future costs of early retirement pensions.

Notes to the Financial Statements

	Group and University	
	2012 £000	2011 £000
12. Endowment asset investments		
Balance at 1 August	20,298	18,918
Additions	1,767	1,605
Disposals	(1,947)	(1,547)
(Decrease)/increase in market value of investments	(333)	1,669
Increase/(decrease) in cash balances held for endowment funds	1,094	(347)
Balance at 31 July	20,879	20,298
Market Value at 31 July:		
Convertibles (listed)	2,563	2,332
Equities (listed)	11,314	12,058
Bank balances	7,002	5,908
Total	20,879	20,298

Included in bank balances is £4,174k (2011 - £3,883k) relating to expendable endowments.

	Group 2012 £000	Group 2011 £000	University 2012 £000	University 2011 £000
13. Debtors				
Debtors	6,143	8,354	6,115	8,284
VAT	-	213	-	102
Amounts due from subsidiary companies	-	-	2,110	1,369
Prepayments and accrued income	18,682	16,469	18,655	16,468
Total	24,825	25,036	26,880	26,223

	Group 2012 £000	Group 2011 £000	University 2012 £000	University 2011 £000
14. Creditors: amounts falling due within one year				
Research grants received on account	21,805	23,861	21,805	23,861
Other payments received on account	16,365	17,168	16,365	17,168
Trade creditors	5,591	4,863	5,796	4,799
Amounts due to subsidiary companies	-	-	131	128
Social security and other taxation payable	2,785	2,868	2,785	2,868
Accruals and deferred income	22,783	22,247	22,264	21,674
Total	69,329	71,007	69,146	70,498

Notes to the Financial Statements

	Group and University	
	2012 £000	2011 £000
15. Creditors: amounts falling due after more than one year		
Unsecured loans	8,500	8,500
Accruals and deferred income	1,154	468
Total	9,654	8,968

	Group Only	
	2012 £000	2011 £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 2012, 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.

	Early Retirement Pension Costs £000	Other £000	Associated Company £000	Total £000
16. Provisions for liabilities				
Group				
At 1 August 2011	7,847	7,449	3,242	18,538
Expenditure in the period	(483)	(2,726)	-	(3,209)
Additional provision required in year	-	2,082	243	2,325
Revaluation adjustment	(1,103)	-	-	(1,103)
Interest charged	(5)	-	-	(5)
At 31 July 2012	6,256	6,805	3,485	16,546
University				
At 1 August 2011	7,847	7,449		15,296
Expenditure in the period	(483)	(2,726)		(3,209)
Additional provision required in year	-	2,082		2,082
Revaluation adjustment	(1,103)	-		(1,103)
Interest charged	(5)	-		(5)
At 31 July 2012	6,256	6,805		13,061

Notes to the Financial Statements

● 16. Provisions for liabilities - continued

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. A valuation of the existing pension provision at 31 July 2012 was carried out by the University's appointed independent actuary, Xafinity Consulting.

Other provisions include amounts relating to the voluntary severance scheme; VAT; legal claims and changes in accounting for research. The exact amount and timing of these outflows is uncertain.

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 voting rights held

33.3%

Nature of business

Residences

Date of financial information

31 July 2012

	DSV Ltd £000	University share of DSV Ltd £000
Aggregate capital and reserves	(10,454)	(3,485)
Loss for the year	(729)	(243)
Incoming resources	5,791	1,930
Fixed assets	41,308	13,769
Current assets	5,150	1,716
Liabilities less than one year	(1,105)	(368)
Liabilities more than one year	(55,807)	(18,602)

Notes to the Financial Statements

17. Deferred capital grants	Note	Scottish Funding Council £000	Other Grants £000	Total £000
Group				
At 1 August 2011				
Buildings		71,137	50,127	121,264
Equipment		2,688	7,177	9,865
Total		73,825	57,304	131,129
Cash received				
Buildings		2,668	288	2,956
Equipment		60	3,458	3,518
Total		2,728	3,746	6,474
Released to income and expenditure				
Buildings		(3,333)	(1,804)	(5,137)
Equipment		(1,239)	(5,597)	(6,836)
Total	1,3,4	(4,572)	(7,401)	(11,973)
At 31 July 2012				
Buildings		70,472	48,611	119,083
Equipment		1,509	5,038	6,547
Total		71,981	53,649	125,630

Notes to the Financial Statements

17. Deferred capital grants	Note	Scottish Funding Council £000	Other Grants £000	Total £000
University				
At 1 August 2011				
Buildings		71,137	50,127	121,264
Equipment		2,688	7,154	9,842
Total		73,825	57,281	131,106
Cash received				
Buildings		2,668	288	2,956
Equipment		60	3,458	3,518
Total		2,728	3,746	6,474
Released to income and expenditure				
Buildings		(3,333)	(1,804)	(5,137)
Equipment		(1,239)	(5,595)	(6,834)
Total	1,3,4	(4,572)	(7,399)	(11,971)
At 31 July 2012				
Buildings		70,472	48,611	119,083
Equipment		1,509	5,017	6,526
Total		71,981	53,628	125,609

Notes to the Financial Statements

18. Endowments

	Group and University					
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2012 Total £000	2011 Total £000
Balances at 1 August						
Capital	4,626	10,370	14,996	3,883	18,879	17,588
Accumulated income	-	1,419	1,419	-	1,419	1,330
	<u>4,626</u>	<u>11,789</u>	<u>16,415</u>	<u>3,883</u>	<u>20,298</u>	<u>18,918</u>
Transfer from revaluation reserve	-	-	-	-	-	29
New endowments	-	601	601	761	1,362	469
Investment income	137	326	463	19	482	499
Expenditure	(138)	(303)	(441)	(489)	(930)	(1,286)
(Decrease)/increase in market value of investments	(106)	(227)	(333)	-	(333)	1,669
At 31 July	<u>4,519</u>	<u>12,186</u>	<u>16,705</u>	<u>4,174</u>	<u>20,879</u>	<u>20,298</u>
Represented by:						
Capital	4,519	10,744	15,263	4,174	19,437	18,879
Accumulated income	-	1,442	1,442	-	1,442	1,419
Total	<u>4,519</u>	<u>12,186</u>	<u>16,705</u>	<u>4,174</u>	<u>20,879</u>	<u>20,298</u>
Analysis by type of purpose:						
Lectureships	-	4,135	4,135	-	4,135	4,231
Scholarships and bursaries	2,357	5,378	7,735	334	8,069	7,585
Research support	-	421	421	3,672	4,093	3,823
Prize funds	-	1,846	1,846	34	1,880	1,912
General	2,162	406	2,568	134	2,702	2,747
	<u>4,519</u>	<u>12,186</u>	<u>16,705</u>	<u>4,174</u>	<u>20,879</u>	<u>20,298</u>

Notes to the Financial Statements

19. Reserves	Note	Group £000	University £000
Income and expenditure reserve			
At 1 August 2011		33,258	35,976
Transfer from revaluation reserve		162	162
Surplus retained for the year		7,204	7,510
Less pension surplus		(636)	(636)
At 31 July 2012		39,988	43,012
Pension reserve			
At 1 August 2011		(22,610)	(22,610)
Actuarial loss	30	(1,667)	(1,667)
Surplus retained within reserves		636	636
At 31 July 2012		(23,641)	(23,641)
Revaluation Reserve			
At 1 August 2011		698	698
Surplus on revaluation of investments		11	11
Transfer to general reserve in respect of: Disposal of investments		(162)	(162)
At 31 July 2012		547	547

Notes to the Financial Statements

20. Reconciliation of surplus before gain on disposal of assets to net cash inflow from operating activities	Note	2012 £000	2011 £000
Surplus after depreciation of tangible fixed assets		6,096	993
Depreciation	10	16,294	17,487
Deferred capital grants released to income	17	(11,973)	(12,787)
Investment income	5	(800)	(726)
Interest payable	8	977	846
Decrease in stocks		56	11
Decrease/(increase) in debtors		209	(2,400)
(Decrease)/increase in creditors		(1,547)	8,136
(Decrease)/increase in provisions		(3,570)	3,843
Change in value of investments		1	-
Addition to revaluation reserve		-	3
Pension costs less contributions payable		(1,338)	(995)
Net cash inflow from operating activities		4,405	14,411

21. Returns on investments and servicing of finance	2012 £000	2011 £000
Income from endowments	482	499
Other interest received	320	194
Interest paid	(248)	(104)
Net cash inflow from returns on investments and servicing of finance	554	589

22. Capital expenditure and financial investment	2012 £000	2011 £000
Proceeds from sales of fixed assets	896	1,230
New endowments received	1,362	469
Receipts from disposal of fixed asset investments	231	127
Receipts from disposal of endowment asset investments	1,947	1,547
Payments to acquire endowment asset investments	(1,767)	(1,605)
Payments to acquire tangible fixed assets	(12,410)	(16,325)
Deferred capital grants received	6,474	12,267
Net cash outflow from capital expenditure and financial investment	(3,267)	(2,290)

Notes to the Financial Statements

		2012	2011
		£000	£000
23. Management of liquid resources			
Net decrease/(increase) in short term investments		7,126	(13,153)

		At 1 August	Cash Flows	Non-Cash	At 31 July
		2011		Changes	2012
		£000	£000	£000	£000
24. Analysis of changes in net funds	Note				
Cash at bank and in hand		2,237	7,724	-	9,961
Endowment assets	12	5,908	1,094	-	7,002
		8,145	8,818	-	16,963
Short term investments		29,670	(7,126)	-	22,544
Debt due after one year	15	(8,500)	-	-	(8,500)
Total		29,315	1,692	-	31,007

Notes to the Financial Statements

25. Capital commitments	Group 2012 £000	Group 2011 £000	University 2012 £000	University 2011 £000
Provision has not been made for the following capital commitments at 31 July:				
Commitments contracted for	20,672	5,269	10,963	5,269
Authorised but not contracted for	5,490	12,645	5,490	6,888
Total	26,162	17,914	16,453	12,157

26. 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 £649k remains outstanding at 31 July 2012. 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.

The University, jointly with six other universities, has provided a pension guarantee to the Universities Superannuation Scheme (USS) in the event of the cessation of membership of the USS by Advanced Procurement for Universities and Colleges (APUC).

27. Post balance sheet events

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

28. Bursaries and other student support funds	2011/12 Childcare £000	2011/12 Discretionary £000	2011/12 Total £000	2010/11 Total £000
Balance b/fwd	20	34	54	82
Allocation received in the year	303	631	934	941
Expenditure	(184)	(747)	(931)	(971)
University contribution to funds	1	1	2	2
Virements	(114)	106	(8)	-
Balance c/fwd	26	25	51	54
Retained by University for students	26	25	51	54

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 Financial Statements

29. 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 31. 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:

	2012 £000	2011 £000
Due to Dundee Student Villages	(34)	(1)
Due from Dundee Student Villages	34	31

During the year the University transferred £6.9m of student rental income to Dundee Student Villages and £141k of conference and room hire was purchased from its trading subsidiary West Park Centre Limited.

30. 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	2011/12 £000	2010/11 £000
USS contributions paid		11,754	12,059
UODS charge to income and expenditure		2,003	2,500
Contributions paid to other pension schemes		644	704
Total pension costs	6	14,401	15,263
Outstanding pension contributions at 31 July		1,938	1,884

Notes to the Financial Statements

● 30. 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 2011, the contribution rate payable by the University to USS remained unchanged at 16% of pensionable salaries.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. The principal change is that new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary basis.

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 triennial valuation undertaken as at 1 August 2011, the University's normal pensions contributions remain at 22.1% of pensionable earnings. This 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 8 years.

With effect from 1 August 2011, benefit accrual in the scheme changed from a Final Salary structure to a Career Average Revalued Earnings (CARE) structure.

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 Financial Statements

30. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

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

	2012 %	2011 %
Price increases – RPI	2.3	2.95
Price increases – CPI	1.8	-
Salary increases	3.3	4.2
Revaluation of deferred benefits	1.8	-
Increases for pensions in payment:		
Fixed	3.0	3.0
RPI – subject to 5% maximum and 3% minimum	3.15	3.45
RPI – subject to 5% maximum	2.3	2.6
CPI (CARE) – subject to 3% maximum	1.75	-
Discount rate	4.3	5.25

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

	2012 years	2011 years
Retiring today		
Males	22.9	22.8
Females	25.3	25.1
Retiring in 20 years		
Males	24.2	23.9
Females	26.5	26.1

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

	Long term rate of return			31 July 2012 £ Million	Value at	
	2012 %	2011 %	2010 %		31 July 2011 £ Million	31 July 2010 £ Million
Equities	5.5	7.0	7.0	49.7	47.9	41.4
Government Bonds	2.5	4.0	4.0	8.9	7.5	6.0
Corporate Bonds	3.9	5.4	5.4	12.1	10.7	8.8
Cash	2.5	4.0	4.0	2.1	2.5	1.6
				72.8	68.6	57.8

Notes to the Financial Statements

● 30. 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:

	2012 £000	2011 £000
Analysis of the amount shown in the balance sheet		
Total market value of assets	72,852	68,590
Present value of scheme liabilities	(96,493)	(91,200)
Net pension liability	(23,641)	(22,610)
	2012 £000	2011 £000
Analysis of the amount charged to staff costs within operating surplus		
Current Service Cost	2,003	2,500
Total operating charge	2,003	2,500
	2012 £000	2011 £000
Analysis of amount charged to interest payable		
Expected return on pension scheme assets	4,120	3,700
Interest on pension scheme liabilities	(4,822)	(4,400)
Net charge	(702)	(700)
	2012 £000	2011 £000
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	(1,170)	5,032
Changes in assumptions underlying the present value of scheme liabilities	(497)	(4,180)
Actuarial (loss)/gain recognised in STRGL	(1,667)	852

Notes to the Financial Statements

30. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

	2012 £000	2011 £000
Movement in deficit in the year		
Deficit in scheme at beginning of year	(22,610)	(23,757)
Movement in year:		
Current service cost	(2,003)	(2,500)
Contributions	3,341	3,495
Net charge on assets	(702)	(700)
Actuarial (loss)/gain	(1,667)	852
Deficit in scheme at end of year	(23,641)	(22,610)

	2012 £000	2011 £000
Analysis of the movement in the present value of the scheme liabilities		
At beginning of year	91,200	81,600
Current service cost	2,003	2,500
Interest cost	4,822	4,400
Contributions by scheme participants	1,171	1,220
Actuarial loss	497	4,180
Net benefits paid	(3,200)	(2,700)
At end of year	96,493	91,200

	2012 £000	2011 £000
Analysis of movement in the market value of the scheme assets		
At the beginning of the year	68,590	57,843
Expected rate of return on scheme assets	4,120	3,700
Actuarial (loss)/gain	(1,170)	5,032
Contribution by the employer	3,341	3,495
Contributions by scheme participants	1,171	1,220
Net benefits paid	(3,200)	(2,700)
At end of year	72,852	68,590

Notes to the Financial Statements

30. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

History of experience gains and losses	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Cumulative					
Difference between the expected and actual return on scheme assets:					
Amount	(1,170)	5,032	5,227	(5,347)	(9,190)
Percentage of scheme assets	(1.6%)	7.3%	9%	(11%)	(19%)
Experience gains/(losses) on scheme liabilities:					
Amount	(497)	(4,180)	(5,300)	1,342	(660)
Percentage of the present value of scheme liabilities	(0.5%)	(4.6%)	(6.5%)	1.9%	(1%)
Total amount recognised in statement of total recognised gains and losses:					
Amount	(1,667)	852	(73)	(4,005)	(9,850)
Percentage of the present value of scheme liabilities	(1.7%)	0.9%	0%	(5.6%)	(14.5%)

The cumulative amount of actuarial loss recognised in the statement of total recognised gains and losses is £23,579k (2011: £22,409k).

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 2012/13 is £3,400k.

The actual return on scheme assets in the year was £2,950k (2011: £8,732k).

31. 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, solely 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.

Notes to the Financial Statements

31. Subsidiary undertakings - continued

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 was dissolved in March 2012.

32. Connected charitable institutions

Two charitable institutions are administered by or on behalf of the University and have been established for special purposes. One of the connected institutions is included as a subsidiary undertaking in these consolidated financial statements; the other is not included in the consolidation since the University does not have control over its activities.

The movement in the year to 31 July 2012 on the total funds of the University of Dundee Nursery Limited, as reported in its Financial Statements, was as follows:

	At 1 August 2011 £000	Income £000	Expenditure £000	Change in market value £000	At 31 July 2012 £000
Consolidated (see note 31)					
University of Dundee Nursery Limited (SC032969)	131	174	(168)	-	137

The Financial Statements of the Centenary Trust of Duncan of Jordanstone College of Art to 31 July 2012 have not yet been prepared. The Financial Statements for the year to 31 July 2011 show the movement in the year on the total funds as follows:

	At 1 August 2010 £000	Income £000	Expenditure £000	Change in market value £000	At 31 July 2011 £000
Not Consolidated					
Centenary Trust of Duncan of Jordanstone College of Art (SC020617)	112	2	-	-	114

The Centenary Trust was established in 1991 to award scholarships, grants and other financial support to students, graduates or staff of Duncan of Jordanstone College of Art and Design.



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