



University of Dundee

REPORTS & FINANCIAL STATEMENTS 2014/15



Reports and financial statements for the year ended 31 July 2015

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Statement by the Chair of Court



The past year has been a very challenging one for the University. The very different funding regimes in different parts of the UK have posed new issues for Scottish universities, particularly around the balance of central funding from the Scottish Government and that which we are now expected to raise through other avenues, including recruitment of students from the rest of the UK.

This is an extremely competitive environment and one which, for us, has resulted in a small deficit for the year. This would have been much larger had it not been for the actions taken by management to cut costs. We look to the future with greater confidence given the measures that have been put in place to achieve a surplus.

It is disappointing to note that, notwithstanding opposition within the sector, the Scottish Government is still planning legislation concerning the governance of Scottish universities.

It is only two years since a new Governance Code was introduced in Scotland which goes well beyond anything required in the rest of the UK. As a sector we have taken the issue of governance very seriously and consider ourselves at the top of any sector in the UK as far as governance is concerned. Included in the Scottish Government's proposals are the direct election of Chairs, mandatory trade union representation on Courts and reserved powers to the Scottish Government to nominate members to Courts.



These proposals threaten the independence of universities and risk their politicisation. In common with others within the sector we have made our views known.

The University of Dundee has much to be proud of. We have been named Scottish University of the Year by The Times and Sunday Times Good University Guide. We enjoyed a strong result in the Research Excellence Framework, the major assessment of research quality in the UK. We were top of the student survey rankings in Scotland, both in the National Student Survey and the Times Higher Education Student Experience Survey, the latter for the sixth year running. We are also listed at 185th in the Times Higher Education World League Table. These are just a sample of notable achievements in the past year.

I would like to take this opportunity to congratulate our Principal and Vice-Chancellor Sir Pete Downes on the award of his knighthood. This is a recognition both of the contribution Pete has made at Dundee and the sector more broadly in his role as Convenor of Universities Scotland. It is also a recognition of the esteem in which our University is held.

Eric F Sanderson
Chairman of Court

Principal's Report



There is no such thing as a year without change in an institution of the scale of this University, but change has been a major characteristic of our past twelve months. Our Transformation agenda of course demands change as we look to realise our long-term vision of becoming Scotland's leading university, and that has been an important focus throughout 2014-15. If we are to meet our core mission of transforming lives, through the creation, sharing and application of knowledge, we have to ensure we have a solid base to work from, capable of meeting the challenges that will present themselves at any time.

Over the past year we have made significant changes to the structure of the University, reduced our staff complement and embarked on a major project of Business Transformation. This is all aimed at making us a stronger, more effective and flexible University.

In restructuring the University into nine academic Schools we are creating an environment where ideas and knowledge can be shared more easily, encouraging activity that crosses disciplines, where many of the solutions for the world's major problems may be found.

We achieved significant savings through a Voluntary Severance Scheme, principally for academic staff. This has come in line with innovative changes to our delivery of teaching and research, underpinned by our commitment to supporting excellence in all that we do.

We have initiated the major process of business transformation to intensify and enhance professional services and support the delivery of our academic mission. This will mean a significant investment by the University in coming years, and will help 'future proof' many of the vital systems which underpin student and staff rewards, performance data and much else.

Those changes are already making a difference but no one should be under any illusion that we still face considerable challenges, not least financially. We must consider the issues of rising costs associated with pensions and National Insurance.

We also face the uncertainty of a Government spending review that is very hard to predict but which is certain to be financially challenging for the higher education sector.

We also face constraints in how we can address these financial challenges. Fee income for home and EU students is fixed by the Scottish Government and will be subjected to downward pressure in the immediate future. Our considerable success in leveraging external funding for research will also come under pressure from budget constraints in BIS and our industry partners. This is why our major focus must be to target unregulated fee income from RUK and overseas student recruitment, not least because we currently underperform competitor universities in this regard.

We can offer such students an experience that is consistently rated the best in Scotland and among the very best in the UK. That message is out there and has led to success in improving our recruitment of students from the rest of the UK. We are getting the same message out internationally, boosted by our performance in the league tables to which many international students, in particular, pay high regard. But we are operating against a background of a UK Government determined to control immigration and with a lack of any will to remove students from the net immigration figures, despite the many benefits these students bring to the UK. Higher education is one of the UK's strongest brands around the world – second only to the US by most accepted measures of performance and recognition.

We have the best students in the world wanting to come to the United Kingdom to experience our higher education for themselves. We have universities like ourselves who are very keen to welcome them. But there are significant barriers which are making that increasingly difficult.

This backdrop of internal change and external constraint makes even more remarkable the successes we have enjoyed over this past year. While there are challenges, we must also remember there are equally great opportunities and achievements we can be proud of.



We have been named Scottish University of the Year by The Times and Sunday Times Good University Guide. We were rated number one in Scotland in the National Student Survey and Times Higher Education Student Experience Survey. We were top in Scotland and second in the UK among the World Universities Under-50, as ranked by Times Higher Education. In many ways we are already meeting that ambition to be 'Scotland's leading university'. These all point to how we continue to develop and grow, and are testament to the quality and drive of our staff, students and the wider University community. These are the attributes which will enable us to carry on meeting the challenges that change presents.

C. P. Downes

Professor Sir C Peter Downes OBE FRSE
Principal and Vice-Chancellor



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 the results of the University of Dundee and its subsidiary companies. Details of the Group are listed within note 34 of the financial report.

● Results for the Year

The financial results for the year were in line with expectations with an operating deficit of £0.9m. Significant restructuring costs were incurred during the year as a result of introducing a voluntary severance scheme. The resulting savings will contribute towards improving the financial performance in subsequent years when significant cost increases arising from changes to National Insurance rates and contributions to the Universities Superannuation Scheme are anticipated.

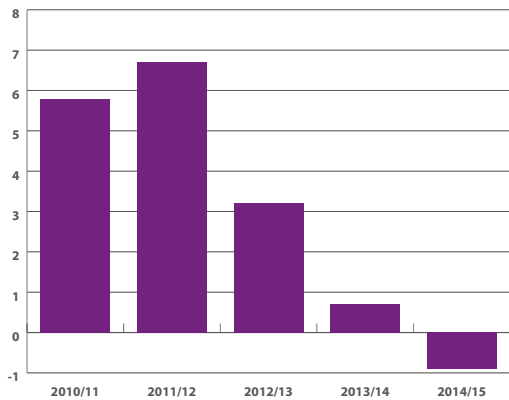
The results for the year also include £8m income, net of tax, for Research and Development Expenditure Credits (RDEC) covering the period from April 2013 to July 2015. The legislation relating to this scheme has now been changed such that it is no longer applicable to universities. There will be no further income from this source in future years.

● Fig. 1

| | 2010/11 £m | 2011/12 £m | 2012/13 £m | 2013/14 £m | 2014/15 £m |
|---|---------------|---------------|---------------|---------------|---------------|
| Total income excluding RDEC | 229.2 | 223.3 | 226.6 | 243.1 | 243.5 |
| Total expenditure before restructuring costs | (224.4) | (216.5) | (223.4) | (242.4) | (244.4) |
| Operating surplus / (deficit) before restructuring costs | 4.8 | 6.8 | 3.2 | 0.7 | (0.9) |
| Restructuring costs | (3.8) | (0.7) | | (2.5) | (4.1) |
| RDEC (net of tax) | | | | | 8.0 |
| Other items | 1.5 | 1.1 | 0.3 | 0.2 | 0.7 |
| Surplus / (deficit) for the year | 2.5 | 7.2 | 3.5 | (1.6) | 3.7 |

The underlying operating surplus / (deficit) before restructuring costs and the RDEC credit has declined in each of the last three years, falling to a small deficit of £0.9 million in 2014/15. Some improvement is expected for 2015/16 although cost pressures remain intense and the outlook is that costs will continue to outstrip income over the next few years. The University is therefore embarking on a programme of measures to increase unregulated income while also investing in a Transformation programme to increase the efficiency and cost effectiveness of all areas of activity.

● Fig. 2 Underlying operating surplus/(deficit)



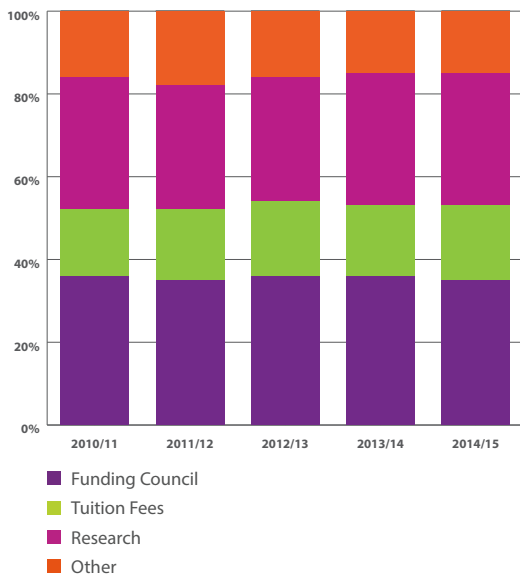
One of the first stages of the Transformation programme has been to reorganise the University, with effect from 1 August 2015, into nine schools from the previous structure of 15 schools organised into four colleges. The expected benefits from the flatter structure of improved communication and greater clarity of strategy are already being noticed.

A project to replace all the University's core IT systems is also underway. The initial procurement stage is expected to be completed during the first half of 2016 with implementation taking place thereafter.

● Income

Total income for the year increased by 4.4% to stand at £253.8 million (2014: £243.1 million).

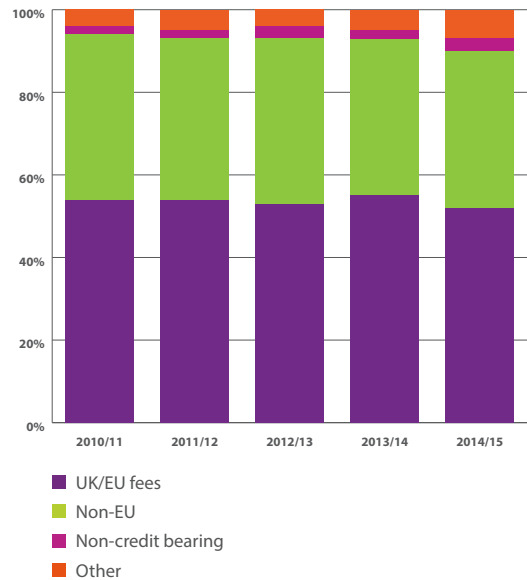
● Fig. 3 Total Income



Income from the Scottish Funding Council (SFC) was broadly neutral, increasing by +1.3% to £88.7 million, but it declined as a percentage of total income from 36% to 35%.

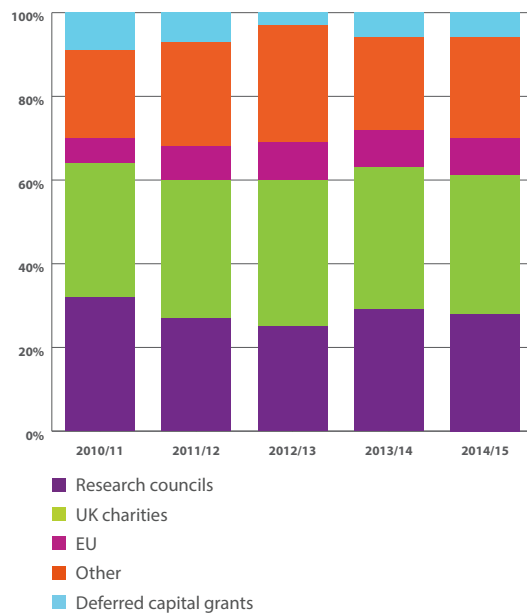
Tuition fees and education contracts increased by 8.8% in the year reflecting greater emphasis on increasing unregulated fee income. Within this category UK and EU fees increased by 3.4%, non EU fees by 9.2% and other contracts by 57.9%.

● Fig. 4 Tuition fees



Research income increased by 4.3% to £82.4 million, although this includes exceptional income of £10.3 million relating to the Research and Development Expenditure Credit (RDEC). Excluding this credit, underlying research income declined by 8.8%.

● Fig. 5 Research grants & contracts



There were declines in the amount of income earned from Research Councils of 12.6%, from UK charities of 12.7% and from the European Commission of 5.7%. Despite these declines the proportion of income earned from research remains one of the highest in the sector.



● Expenditure

Total expenditure before taxation for the year increased by 1.5% to stand at £248.5 million (2014: £244.9 million). Excluding restructuring costs the increase was 0.8% or £2.0 million.

Staff costs increased by 0.4% (2014: 5.7%) to £138.8 million, an increase of £0.6 million. This was less than the rate of salary increases and reflects the cost savings from the restructuring undertaken in 2014 and the partial impact of the subsequent exercise in 2015.

Other operating expenses decreased by 1.1% to £85.7 million partly due to tight control over costs and partly in line with the reduction in research income.

Depreciation increased by £2.6m, although £2.2 million of this was offset by the release of matching deferred capital grants.

● Results of Associated Company

Dundee Student Villages (DSV) is accounted for as an associated company. It is a special purpose vehicle which was established to build and operate the University's student residences.

In line with the original financial model accounting losses are expected to be incurred in the first years of operation. DSV continues to perform ahead of its funding requirements due to levels of occupancy being higher than originally planned together with an effective maintenance programme which results in a lower overall spend on maintenance being required.

● Capital Expenditure

Work was completed during the year on the new Discovery Centre, allowing further development of our drug discovery programmes in neglected tropical diseases and in other areas of medical need, such as cancer, inflammation and eczema.

The Centre, which was opened on 1 October 2014 was funded from a mix of public, private and charity sources, including a peer-reviewed Wellcome-Wolfson Capital Award in Biomedical Science of £5 million, with matched funding by The University of Dundee, and a £12 million award through the UK Research Partnership Investment Fund.

Other significant items of capital expenditure in the year included; a £1.4 million refurbishment of the Duncan of Jordanstone College and £1.4 million on equipment for the Phenotypic Screening Centre.

● Treasury and Investments

Cash and investments fell by £15.5 million to £17.2 million with the decline mainly due to the costs of voluntary severance and a decline in the proportion of research being funded in advance.

Despite this decline there is a significant amount of research funding which is still received in advance and this continues to support the University's cash position. Surplus funds are deposited for periods of up to 12 months with financial institutions which meet criteria specified within the University's treasury policy. This policy is reviewed annually by the Finance and Policy Committee.

At the year end balances of €17.4 million (2014: €22.6 million) were held within cash and short term deposits to provide a hedge against research funding, denominated in euros, received in advance.

The University has in place a revolving credit facility of up to £34 million. The nature of the facility allows the University to borrow only to the extent necessary to meet cash requirements. This facility expires in 2016 and a replacement facility is currently being put in place.

The value of endowments increased by £1.0 million during the year mainly due to a £0.9 million increase in the market value of the endowment assets. These continue to be managed by independent fund managers whose performance is monitored by the University's Finance and Policy Committee.

● Supplier Payments

The University supports the Prompt Payment Code in its relationships 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 31 July 2015 the University had an average of 33 days' purchases outstanding in trade creditors. Interest paid under the Late Payments of Commercial Debts (Interest) Act 1998 was £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 33 of the financial report, which has been prepared in accordance with FRS 17.

Following the triennial valuation of UODS undertaken as at 1 August 2014, 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 ending 31 October 2024.

Due to persistent and significant deficits within USS significant changes to the scheme come into effect on 1 April 2016. The changes which affect both employee benefits and the employers' contribution rate which will increase from 16% to 18% of pensionable earnings.

● Strategic plan

The University's strategy defines its core purpose as the transformation of lives, working locally and globally through the creation, sharing and application of knowledge. In so doing the intention is to become Scotland's leading university. Achieving this goal will take a long time – up to 25 years - while the University Strategy to 2017 sets out a series of targets for the first five years.

The Strategy considers three broad categories of service i.e. learning and teaching; research; and the wider impact of our activities on society. It also considers two vital cross-cutting themes i.e. Internationalisation and Employability, Enterprise and Entrepreneurship and, finally, it identifies four enabling themes; people, information, the University's estate and financial sustainability.

Progress towards achieving the vision is measured through 16 key performance indicators which cover all aspects of the University's strategy as shown in the following table. Progress is generally in line with or ahead of expectations. The only exceptions are three indicators which relate to overall financial performance which are consistent with the low level of operating surplus which was achieved.



| Key performance indicator | | Status |
|---|---|--------|
| Learning and teaching | Increase the overall satisfaction of students expressed in responses to the National Students Survey | ● |
| | Improve progression rates for undergraduate students across all years of study | ● |
| | Increase the proportion of students achieving Firsts or 2:1 degrees | ● |
| | Increase the average UCAS score for students entering undergraduate study | ● |
| | Achieve targets for the proportion of Scottish students coming from areas of multiple deprivation | ● |
| | Increase the amount of unregulated teaching income | ● |
| Research | Increase the amount of total research income | ● |
| | Achieve targets for the number of research staff with personal fellowships, investigator awards or programme grants | ● |
| | Increase the value of research income per full time equivalent academic member of staff | ● |
| | Increase the contribution to overheads earned per full time equivalent academic member of staff | ● |
| Wider impact | Increase income from industry and other sources | ● |
| Employability, enterprise and entrepreneurship | Increase the proportion of students achieving graduate level outcomes in the world of work or further study | ● |
| People | Increase the overall satisfaction of employees expressed in responses to periodic staff surveys | ● |
| Estate | Improve the overall quality of the University's estate | ● |
| Financial sustainability | Increase the financial surplus towards 6% of income | ● |
| | Increase the rate of income per full time equivalent academic member of staff | ● |

● Equality and Diversity

The University is committed to ensuring that in the exercise of its activities and functions it complies with the Equality Duty as introduced by the Equality Act 2010. The Equality Duty requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and any other prohibited conduct
- advance equality of opportunity between people from different groups; and
- foster good relations between people from different groups

The University ensures that its policies and practices are appropriate and accessible to all and meet the diverse needs of all members of the University community. In addition to development of the policies and procedures, implementation and awareness raising is carried out to promote and reinforce the positive message of equality and diversity.

Equality and diversity training is mandatory for all staff with academic staff undertaking five online modules and support staff undertaking four. These modules cover diversity in the workplace, disability, diversity in learning and teaching, stress for managers and stress in the workplace. Further training is given to relevant staff involved in recruitment and selection and an equality impact assessment online toolkit is available to enable staff to undertake equality impact assessments.

In addition to the mandatory online modules, all staff have the opportunity to attend a range of equality and diversity training sessions offered each year by the University's Disability Services, Organisational and Professional Development (OPD) and InspirEd programmes. This includes specific training on supporting students and staff with a range of disabilities and training on the provision of an inclusive learning and working environment. The University is also committed to providing students with an appropriate training programme which will develop, enhance and raise their understanding of equality and diversity issues.

As part of the University's commitment to advancing equality of opportunity, the University has established a number of formal Staff Networks. These Networks exist to allow staff who identify with those particular groups to meet, network and discuss issues that matter to them.

Staff Networks allow mutual support, raise awareness of equality issues and form an important part of the consultative process across a wide range of workplace issues which help shape the University's equality and diversity policies and contribute towards helping the University create a positive environment. The University has established three Staff Networks to date:

- Gender Equality Network
- Black and Minority Staff Network
- Lesbian, Gay, Bisexual and Transgender Network

The Chairs of these Staff Networks are represented on the University's Equality and Diversity Working Group where they formally report on issues of interest or concern.

The Athena SWAN Charter is a scheme that recognizes excellence in science, technology, engineering, mathematics and medicine (STEMM) employment for women in academia. The University signed up to the Charter in 2011 which has six key principles:

- to address gender inequalities requires commitment and action from everyone, at all levels of the organisation
- to tackle the unequal representation of women in science requires changing cultures and attitudes across the organisation
- the absence of diversity at management and policy-making levels has broad implications which the organisation will examine
- the high loss rate of women in science is an urgent concern which the organisation will address
- the system of short-term contracts has particularly negative consequences for the retention and progression of women in science, which the organisation recognizes
- there are both personal and structural obstacles to women making the transition from PhD into a sustainable academic career in science, which requires the active consideration of the organisation

Five Schools across the University now hold the Athena SWAN Bronze Award in addition to the Bronze Award achieved by the University last year.





● Principal Risks and Uncertainties

The identification and management of risks is firmly embedded within the University's structure and processes. The Institutional Risk Register and the effectiveness of activities designed to mitigate the risks identified in the register are formally reviewed by the Senior Management Team and the Audit Committee as well as being discussed at Court.

The most significant risks and the actions taken to minimise their impact are:

- Failure to increase the recruitment of students from the Rest of the UK (RUK) and from outside the EU resulting in low or no growth in tuition fee income

The University is building its marketing around its consistently high position in various league tables to ensure that potential students understand the benefits of coming to Dundee. In addition the student recruitment team is being strengthened to reach a wider market and to ensure that a higher proportion of students showing interest in courses at the University are converted into matriculated students.

- Failure to achieve the right balance in research funding to ensure that unrecovered costs are maintained at a manageable level

Achieving the right balance will be achieved by both increasing the amount of income earned from tuition fees while also focussing grant applications towards funding bodies where there is a contribution towards the University's overhead costs.

- Reduction in public funding for universities

The University remains engaged in the debate over public funding for the sector both within Scotland and the wider UK through its membership of Universities Scotland and Universities UK.

- The persistent deficits on the University's pension schemes result in significant increases in employers' contribution rates to fund the deficits

The University contributed its views to the negotiations of the changes to the Universities Superannuation Scheme (USS). The resulting increase in contribution rates is at a reasonable level which will not materially affect the financial sustainability of the University. The University has also maintained a positive dialogue with the Trustees of the University of Dundee Superannuation Scheme ensuring that the recovery plan for the deficit on that scheme has not resulted in any increase in the rate of employer's contribution to that scheme.

- Loss of reputation caused by poor governance or failure to manage significant issues appropriately could result in weaker recruitment of students, reduced attractiveness for research funders and difficulties in attracting and retaining key staff

There is continued focus on developing and improving governance in all aspects of the University's activities. In addition management development activities are ensuring key issues are better understood and will be supplemented by improved internal communication.

● Financial Outlook

The financial outlook for the Higher Education sector in Scotland remains uncertain with the impact of the UK Government's spending review still to be clarified. However many of the uncertainties which existed twelve months ago have now crystallised. The overall result of the Research Excellence Framework was positive with the University improving its position from 40th to 38th although it was disappointing to see the associated Research Excellence Grant reduce by £2.4m over the next three years. After a long period of negotiation between the Trustees, University and College Union and the employers, the increase in employers' contributions to the Universities Superannuation Scheme from 16% to 18% of pensionable earnings comes into effect on 1 April 2016. This will add approximately £1.5m to annual costs while, at the same time, increases in employers' National Insurance contributions will add a further £2.0m. Following the revaluation of the scheme as at 31 July 2014 the University's contributions to the University of Dundee Superannuation Scheme remain unchanged at 22% of pensionable earnings.

Income growth to offset the cost increases is expected to come from recruiting greater numbers of overseas students onto both undergraduate and post-graduate programmes. However, it is recognised that this is a competitive market with competition not only from other UK universities but also from universities in other parts of the world. Recruitment of overseas students is not helped by border controls which are sometimes perceived as being more onerous than the controls in other countries. Despite these problems we still believe that overseas student numbers can be increased significantly, with additional resource being applied to build on our reputation of providing an excellent student experience.



Eric F Sanderson
Chairman of Court



Professor Sir C Peter Downes OBE FRSE
Principal and Vice-Chancellor

Corporate Governance

This report covers the period from 1 August 2014 to 15 December 2015.

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). 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 also follows the Scottish Code of Good Higher Education Governance (the 'Code') and, since the Code's introduction in July 2013, has revised its governing instruments and associated processes to achieve full compliance with the main principles outlined in the Code along with the guidelines that support these principles. The University considers itself compliant with the Code, subject to Privy Council approval on outstanding changes to the University's Statutes in relation to the appointment processes of the Chairperson and the Deputy Chairperson.

● Charter and Statutes

The University is an independent corporation and a registered Scottish charity (SC015096). Its legal status derives from a Royal Charter originally granted in 1967 and 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 objects, as set out in the Charter, are to advance and diffuse knowledge, wisdom and understanding by teaching and research and by the example and influence of the University's corporate life.

In exercising these objects, the University, through its research and knowledge exchange activity and through its provision of teaching, sets out to transform the lives of its students and of wider society. It does this locally, nationally and globally by contributing to the development of an educated workforce and by making real change to society through its innovative research.

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. The statement of Primary Responsibilities adopted by the Court can be found at: www.dundee.ac.uk/governance/governance/court/primary-responsibilities/.

It has a total membership of 23, with a majority of lay members from outside the University. Members also include representatives of the staff of the University and the student body. The Chairperson of Court is elected by the full membership of Court, and candidates for election may only be drawn from among the lay members. Subject to the changes set out above, the Chancellor's Assessor is designated by Ordinance as the senior independent member of Court. The position of Chancellor's Assessor is traditionally reserved for senior lay members of Court and is an appointment made by the Court on the recommendation of the Governance and Nominations Committee.

The lay members are all considered to be independent, being nominated (2), elected (2) or co-opted (8). Co-opted members are selected by the Governance and Nominations Committee, which invites applications via external advertisement as well as nominations from members of Court, members of staff and students. Candidates for co-opted appointment to the Court are subject to a rigorous interview process which takes into account the skills and diversity of existing Court members as well as future requirements and issues of succession, for example, to convenerships of Court Committees. The Court has used the skills matrix developed in 2014, to inform lay appointments to the Court and at its meeting on 15 December 2014, the Court agreed a statement setting out its goals in relation to the balance of its members in terms of equality and diversity. Since that meeting the Court has approved the appointment of two lay members with an improvement in gender balance in the non-elected membership. 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 staff (mainly academic staff) and the students of the institution. Its role is to direct and regulate the teaching, learning and research work of the University. Senate is chaired by the Principal and Vice-Chancellor.

● Committees

Although Court meets at least five times each academic year, much of its detailed work is handled by committees: Finance and Policy Committee, Human Resources Committee, Governance and Nominations Committee, Remuneration Committee and Audit Committee. These committees have written remits and their decisions and recommendations are formally reported to Court. Each has 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 2014/15, is set out below.

The Governance and Nominations Committee handles Court and committee appointments as set out above. It also considers on an annual basis, the contributions and commitment of members to the work of the Court and its Committees and more generally to the life of the University.

The Remuneration Committee, which has an entirely lay membership, determines the remuneration of the most senior staff, including the Principal. In preparation for this role, it is guided by the Court on the policy it wishes the Committee to adopt in reaching its decisions with regard to senior pay. The membership of the Committee comprises four lay members of Court. The Chair of Court is included within this membership but is not the Convener of the Committee. The Committee undertook an extensive review of its remit and rewards policy during the summer of 2015. An updated policy was approved at the Court meeting in September 2015 and will be implemented for the 2015/16 remuneration round.

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 Committee reviewed and updated its remit and terms of reference in May 2015.

The Audit Committee's role is one of high level review of the arrangements for internal control and value for money. It also makes recommendations to the Court on the appointment of both internal and external auditors. 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 Audit Committee also has a general responsibility for monitoring the operation and effectiveness of the University's Public Interest Disclosure and Anti-Bribery policies and arrangements.

● Effectiveness

Members of the governing body are encouraged to participate in training and development sessions offered as part of the Leadership Foundation's Governor Development Programme, and additional training sessions are organised annually by the University on issues of relevance. Members of the Audit Committee participate in training sessions, and are also encouraged to attend external training sessions provided by the audit sector.

The Court reflects annually on the effectiveness of both the Chair and of the Court itself. In addition, the effectiveness of Court and of its Committees is evaluated formally at least every five years. 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 at least 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 as well as in the performance of the Principal and the Senior Management Team. This information is also used by the Governance and Nominations Committee to determine whether lay members' appointments to the Court should be renewed.

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.

● University Restructure

A review of the University's organisational and management structures was undertaken in the autumn of 2014. Following a period of consultation, at its meeting on 20 April 2015 the Court duly approved the changes to the organisation and management structures set out below:

- Moving from a College based structure to one based on nine academic Schools, led by executive Deans with greater levels of responsibility and accountability;
- Replacing the Senior Management Team with a new University Executive Group to create a more corporate body, with three Vice-Principals having responsibility for the academic and strategic leadership of key University-wide portfolios in Research, Learning and Teaching and Internationalisation along with a fourth Vice-Principal responsible for the management of the Deans of School. The University Secretary and the Directors of External Relations, Finance and Organisational Development and Human Resources are also members of the Group.
- Integrating and aligning all professional services activity in Schools and the former Colleges with the central professional services Directorates to create a single-team approach to service delivery.

● Executive

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 *de facto* 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 the University Executive Group (UEG) and presents a written report on its work to each meeting of Court.

Remuneration of the members of the UEG as at 31 July 2015, excluding employer's pension contributions but including payments made on behalf of the National Health Service in respect of merit awards, was as follows:

| Title | Banding |
|---|---------------------|
| Principal ¹ | £260,000 - £269,999 |
| University Secretary | £120,000 - £129,999 |
| Vice-Principal (Academic Planning and Performance) | £130,000 - £139,999 |
| Vice-Principal (International) | £140,000 - £149,999 |
| Vice-Principal (Learning and Teaching) | £120,000 - £129,999 |
| Vice-Principal (Research, Knowledge Exchange and Wider Impact) ² | £220,000 - £229,999 |
| Director of Finance | £110,000 - £119,999 |
| Director of External Relations | £100,000 - £109,999 |
| Director of Human Resources and Organisational Development | £100,000 - £109,999 |

NOTES

1. In addition to his annual salary, the figure above includes an allowance equivalent to the employers' pension contribution to the Universities Superannuation Scheme which is currently 16% of salary.
2. The Vice-Principal (Research, Knowledge Exchange and wider Impact) as the former Head of the College of Medicine, Dentistry and Nursing received a £75,889 Distinction Award paid for by the NHS.

● Strategic Planning and Monitoring

The University is operating towards the strategic goals and objectives set out in its Strategy to 2017, which Court approved in October 2012. 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. An annual summary of performance relative to key performance indicators and progress towards strategic objectives is published on the Court web pages www.dundee.ac.uk/governance/governance/court/.

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 was reviewed and approved by the Court in October 2015.

● Accounting Records and Controls

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 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 misstatement 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 schools 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 special meetings of the Directors and College Secretaries Group which has reported 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.

The process of identification of risk areas is an ongoing, continual process carried out with the input of the Directors and College Secretaries Group, the Senior Management Team and other senior officers of the University, as well as Court and its Committees. In compiling the risk register, due regard is paid to the institutional objectives as set out in the University Strategy 2017, and each risk area is scored according to likelihood and impact.

The University Executive Group, Court and the Audit Committee formally review the risk register regularly, and at least twice a year.

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

Aside from the matters set out in relation to the Scottish Code of Good HE Governance at the beginning of this statement, the principles and practice set out in this statement on corporate governance hold true for the full financial year reviewed in the financial statements as well as for the period up to the date of approval of the statement by the University Court.

Membership of Court and Committees

(Including attendance during academic session 2014/15)

| Name | | Court (of 6) | F&PC (of 6) | G&NC (of 4) | Audit (of 4) | HRC (of 3) | Remuneration (of 2) |
|------------------------------|---------------|-----------------|----------------|----------------|-----------------|---------------|------------------------|
| Eric Sanderson*, Chairperson | | 6 (C) | 6 | 4 (C) | | | 2 |
| Principal Sir Pete Downes | | 6 | 5 | 3 | | | |
| Professor Rami Abboud | To 31/07/15 | 6 | 5 | | | | |
| Janice Aitken | | 5 (of 5) | | 3 (of 3) | | | |
| Professor Luc Bidaut | To 31/07/15 | 6 | | | | 1 | |
| Richard Bint* | | 5 | | | 4 | | |
| Professor Sue Black | | 5 | 6 | | | | |
| Ronald Bowie* | | 3 | 5 | | | | 2 |
| Dr William Boyd* | | 6 | | 4 | 4 | 2 | |
| Kevin Burns | From 01/08/15 | | | | | | |
| Shirley Campbell* | | 6 | | | | 2 | 2 |
| Professor Stuart Cross | From 01/10/15 | | | | | | |
| Lord Provost Robert Duncan* | | 3 | | | | | |
| Jo Elliot* | | 5 | 5 (A) | | 4 (C) | | |
| Iain Howie* | | 6 | 6 | | | | |
| Timothy Hustler | From 01/08/15 | | | | | | |
| Professor Timothy Kelly | From 01/08/15 | | | | | | |
| Sheila Krawczyk | To 31/01/15 | 0 (of 3) | | | | 0 (of 2) | |
| Iain MacKinnon | To 31/07/15 | 6 | 5 | | | | |
| Bernadette Malone* | | 4 | | 3 | 3 | | 2 |
| Jane Marshall | From 01/08/15 | | | | | | |
| Professor Gary Mires | To 31/07/15 | 5 | | | | 2 | |
| Christina Potter* | To 31/07/15 | 5 | | 0 | | 2 | |
| Dr Alison Reeves | | 6 | | | | 2 | |
| Karen Reid | From 01/08/15 | | | | | | |
| Andrew Richmond* | | 5 | 6 (C) | | 3 (A) | | |
| Professor Mairi Scott | From 01/08/15 | | | | | | |
| David Ritchie | From 10/03/15 | 2 (of 2) | | | | 0 (of 1) | |
| Denis Taylor* | | 6 | 5 | | | 2 | |
| Robin Van Mulders | | 5 | | 4 | | | |
| Iain Wright* | | 5 | | 1 (of 1) | | | |

(A) In attendance, (C) Convener, * Lay Members

NOTES

In addition to the major committees reported above, attendance of members of Court is also recorded for meetings of the Welfare and Ethical Use of Animals Committee, Redundancy Committee, Endowments Sub-Committee, Pensions Sub-Group, Wider Impact and Internationalisation Committees of Senate, and the Court Effectiveness Review Group.

The Audit Committee has two additional co-opted members, who are not members of Court: Ms S Morrison-Low, who attended 3 times in 2014/15 and Mr I Stewart who attended 4 times in 2014/15 and whose membership of the Committee ceased on 31/07/15.

The Convener of the Finance and Policy Committee is invited to attend meetings of the Audit Committee and a reciprocal arrangement is in place for the Convener of the Audit Committee to attend meetings of the Finance and Policy Committee.

The Human Resources Committee has one additional staff member, who is not a member of Court: Professor Karl Leydecker, Vice-Principal (Learning and Teaching) who attended 3 times in 2014/15. Professor Leydecker is also in attendance at meetings of the Finance and Policy Committee and attended 5 of 6 meetings.

Independent auditors report to the University Court of the University of Dundee

● Report on the financial statements

Our opinion

In our opinion, University of Dundee's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2015 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 requirements of the Statement of Recommended Practice – Accounting for 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).

What we have audited

The financial statements comprise:

- the consolidated and parent institution Balance Sheets as at 31 July 2015;
- the consolidated Income and Expenditure Account for the year then ended;
- the consolidated Statement of Group Total Recognised Gains and Losses for the year then ended;
- the consolidated Cash Flow Statement for the year then ended;
- the Statement of Principal Accounting Policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Court has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

● Opinions 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.

● Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- sufficient 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.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion, the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

● Responsibilities for the financial statements and the audit

Respective responsibilities of the University Court and auditors

As explained more fully in the Corporate Governance statement set out on pages 16 - 21, 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 ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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.

We primarily focus our work in these areas by assessing the Court's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Glasgow

14 December 2015

- The maintenance and integrity of the University of Dundee's 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 the financial statements may differ from legislation in other jurisdictions.



Image by Johanna Basford

Johanna Basford is one of Duncan of Jordanstone College of Art & Design's most recognisable alumni. She graduated in Textile Design in 2005 and has since become the rising star of the colouring book for adults phenomenon having sold 10 million books to date.

Johanna created this artwork for Duncan of Jordanstone College of Art & Design a few years after graduating.

www.johannabasford.com

Financial Statements

Year ended 31 July 2015



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 34. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

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

Business combinations that are not mergers are accounted for in accordance with Financial Reporting Standard 7 *Fair Values in Acquisition Accounting*. For acquisition accounting to be applicable the acquired entity will normally consist of more than a collection of assets and liabilities and will have its own processes distinct from those of the University.

● 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 part 1, chapter 2, section 7 of the Charities and Trustee Investment (Scotland) Act 2005, and is considered to pass the tests set out in paragraph 1, schedule 6, Finance Act 2010 and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity Number SC015096) and therefore it meets the definition of the charitable company for UK corporation tax 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 tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. 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 is 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. Assets in the course of construction are not depreciated until they are brought into use.

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

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

Neither consumable material 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, overdrafts and endowment assets held as cash, but excludes any other 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 but exclude any such assets held as endowment assets.

● 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 financial statements 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 University 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: a possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

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

Consolidated Income and Expenditure Account

Year Ended 31 July 2015

| | Note | 2014/15 | | | 2013/14 |
|--|------|--|------------------------------|--------------------------------|----------------|
| | | Pre- Exceptional Results £000 | Exceptional Items £000 | Result for the year £000 | £000 |
| Income | | | | | |
| Scottish Funding Council grants | 1 | 88,720 | - | 88,720 | 87,619 |
| Tuition fees and education contracts | 2 | 44,450 | - | 44,450 | 40,857 |
| Research grants and contracts | 3 | 72,052 | - | 72,052 | 78,977 |
| Other Income | 4 | 37,560 | - | 37,560 | 34,832 |
| Endowment and investment income | 5 | 713 | - | 713 | 802 |
| Exceptional item: RDEC | 3 | - | 10,317 | 10,317 | - |
| Total income | | 243,495 | 10,317 | 253,812 | 243,087 |
| Expenditure | | | | | |
| Staff costs | 6 | 138,766 | - | 138,766 | 138,189 |
| Other operating expenses | 7 | 85,735 | - | 85,735 | 86,694 |
| Depreciation | 11 | 19,506 | - | 19,506 | 16,871 |
| Interest and other finance costs | 8 | 401 | - | 401 | 670 |
| Exceptional item: Restructuring costs | 6 | - | 4,094 | 4,094 | 2,450 |
| Total expenditure | | 244,408 | 4,094 | 248,502 | 244,874 |
| Surplus / (deficit) after depreciation of tangible fixed assets and before tax | | (913) | 6,223 | 5,310 | (1,787) |
| Share of operating loss in associate | | (97) | - | (97) | (228) |
| Taxation | | - | (2,261) | (2,261) | - |
| Surplus / (deficit) after depreciation of assets and tax | | (1,010) | 3,962 | 2,952 | (2,015) |
| Minority interest | | - | - | - | (55) |
| Surplus / (deficit) before exceptional items | | (1,010) | 3,962 | 2,952 | (2,070) |
| Exceptional items: continuing operations | | | | | |
| Disposals of fixed assets | | 392 | - | 392 | 86 |
| Surplus / (deficit) on continuing operations after depreciation of assets and disposals of assets and tax | | (618) | 3,962 | 3,344 | (1,984) |
| Surplus for the year transferred to accumulated income in endowment funds | | 395 | - | 395 | 334 |
| Surplus / (deficit) for the year retained within general reserves | | (223) | 3,962 | 3,739 | (1,650) |

All results derive from continuing operations.

The financial statements have been prepared on a going concern basis and the principal accounting policies have been applied consistently throughout the year.

There is no material difference between the surplus / (deficit) on ordinary activities before taxation and the retained surplus / (deficit) for the year stated above and their historical cost equivalent.

Statement of Group Total Recognised Gains and Losses

Year Ended 31 July 2015

| | Note | Group | |
|--|------|------------------|-------------------|
| | | 2014/15 £000 | 2013/14 £000 |
| Surplus / (deficit) on continuing operations after depreciation of assets and disposals of assets and tax | | 3,344 | (1,984) |
| Appreciation of endowment assets | 20 | 932 | 551 |
| Surplus on revaluation of investments | 12 | 10 | - |
| New endowments | 20 | 406 | 675 |
| Actuarial loss in respect of pension schemes | 33 | (14,528) | (9,905) |
| Total recognised loss relating to the year | | (9,836) | (10,663) |
| Reconciliation | | | |
| Opening reserves and endowments | | 29,860 | 40,523 |
| Total recognised loss for the year | | (9,836) | (10,663) |
| Closing reserves and endowments | | 20,024 | 29,860 |

Balance Sheets

as at 31 July 2015

| | Note | Group 2015 £000 | Group 2014 £000 | University 2015 £000 | University 2014 £000 |
|---|------|-----------------------|-----------------------|----------------------------|----------------------------|
| Fixed assets | | | | | |
| Tangible assets | 11 | 224,902 | 226,359 | 222,476 | 211,541 |
| Investments | 12 | 741 | 731 | 846 | 836 |
| | | <u>225,643</u> | <u>227,090</u> | <u>223,322</u> | <u>212,377</u> |
| Endowment assets | 13 | <u>24,951</u> | <u>24,008</u> | <u>24,951</u> | <u>24,008</u> |
| Current assets | | | | | |
| Stock | | 243 | 225 | 243 | 225 |
| Debtors | 14 | 36,097 | 31,406 | 42,658 | 46,965 |
| Short-term investments | 15 | 6,095 | 19,145 | 6,095 | 19,145 |
| Cash at bank and in hand | | 11,056 | 13,489 | 6,012 | 9,326 |
| | | <u>53,491</u> | <u>64,265</u> | <u>55,008</u> | <u>75,661</u> |
| Less creditors: amounts falling due within one year | 16 | <u>(77,090)</u> | <u>(93,698)</u> | <u>(76,803)</u> | <u>(93,595)</u> |
| Net current liabilities | | <u>(23,599)</u> | <u>(29,433)</u> | <u>(21,795)</u> | <u>(17,934)</u> |
| Total assets less current liabilities | | <u>226,995</u> | <u>221,665</u> | <u>226,478</u> | <u>218,451</u> |
| Less creditors: amounts falling due after more than one year | 17 | (1,713) | (1,375) | (1,713) | (1,375) |
| Less: Provisions for liabilities | 18 | (15,947) | (15,280) | (12,038) | (11,468) |
| Total net assets excluding pension liability | | <u>209,335</u> | <u>205,010</u> | <u>212,727</u> | <u>205,608</u> |
| Net pension liability | 33 | (47,772) | (34,123) | (47,772) | (34,123) |
| Total net assets including pension liability | | <u>161,563</u> | <u>170,887</u> | <u>164,955</u> | <u>171,485</u> |

Balance Sheets

as at 31 July 2015

| | Note | Group 2015 £000 | Group 2014 £000 | University 2015 £000 | University 2014 £000 |
|---|------|-----------------------|-----------------------|----------------------------|----------------------------|
| Deferred capital grants | 19 | 141,539 | 141,027 | 141,521 | 138,312 |
| Endowments | | | | | |
| Expendable | 20 | 3,763 | 3,836 | 3,763 | 3,836 |
| Permanent | 20 | 21,188 | 20,172 | 21,188 | 20,172 |
| | | 24,951 | 24,008 | 24,951 | 24,008 |
| Reserves | | | | | |
| Income and expenditure account excluding pension reserve | 21 | 42,350 | 39,490 | 45,760 | 42,803 |
| Pension reserve | 21 | (47,772) | (34,123) | (47,772) | (34,123) |
| Income and expenditure account including pension reserve | | (5,422) | 5,367 | (2,012) | 8,680 |
| Revaluation reserve | 21 | 495 | 485 | 495 | 485 |
| | | (4,927) | 5,852 | (1,517) | 9,165 |
| Total funds | | 161,563 | 170,887 | 164,955 | 171,485 |

The financial statements on pages 25 to 58 were approved by the Court on 14 December 2015 and signed on its behalf by:



Eric F Sanderson
Chairman of Court



Professor Sir 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 2015

| | Note | Group | |
|---|------|------------------|--------------|
| | | 2015 £000 | 2014 £000 |
| Net cash (outflow) / inflow from operating activities | 22 | (11,004) | 8,671 |
| Returns on investments and servicing of finance | 23 | 532 | 638 |
| Capital expenditure and financial investment | 24 | (5,544) | (10,197) |
| Management of liquid resources | 25 | 13,050 | 13,758 |
| Financing | 26 | 637 | (8,500) |
| (Decrease) / increase in cash in the year | 27 | (2,329) | 4,370 |

Reconciliation of net cash flow to movement in net funds

| | Note | Group | |
|--|------|-------------------|----------------|
| | | 2015 £000 | 2014 £000 |
| (Decrease) / increase in cash in the year | 27 | (2,329) | 4,370 |
| Change in short term deposits | 25 | (13,050) | (13,758) |
| Change in loan debt | 26 | (637) | 8,500 |
| Change in net funds | | (16,016) | (888) |
| Net funds at 1 August | 27 | 36,594 | 37,482 |
| Net funds at 31 July | 27 | 20,578 | 36,594 |

Notes to the Financial Statements

for the year ended 31 July 2015

| | Note | 2014/15 £000 | 2013/14 £000 |
|--|------|-----------------|-----------------|
| 1. Scottish funding council grants | | | |
| General Fund - Teaching | | 51,589 | 50,617 |
| General Fund - Research | | 23,809 | 23,637 |
| Deferred capital grants released in year | 19 | 7,006 | 4,577 |
| Strategic funding | | 6,316 | 8,788 |
| | | <u>88,720</u> | <u>87,619</u> |
| 2. Tuition fees and education contracts | | | |
| UK and EU fees | | 23,220 | 22,447 |
| Non-EU fees | | 16,937 | 15,506 |
| Non-credit bearing course fees | | 1,234 | 967 |
| Other contracts | | 3,059 | 1,937 |
| | | <u>44,450</u> | <u>40,857</u> |
| 3. Research grants and contracts | | | |
| Research Councils | | 20,039 | 22,924 |
| UK charities | | 23,533 | 26,966 |
| European Commission | | 6,992 | 7,417 |
| Other grants and contracts | | 17,356 | 17,245 |
| Deferred capital grants released in year | 19 | 4,132 | 4,425 |
| | | <u>72,052</u> | <u>78,977</u> |
| Research and development expenditure credit | | 10,317 | - |
| | | <u>82,369</u> | <u>78,977</u> |
| 4. Other income | | | |
| Residences, catering and conferences | | 7,749 | 7,869 |
| Other services rendered | | 9,379 | 7,911 |
| Health Authorities | | 6,433 | 6,142 |
| Deferred capital grants released in year | 19 | 2,458 | 2,398 |
| Other grants, donations and income | | 11,541 | 10,512 |
| | | <u>37,560</u> | <u>34,832</u> |

Notes to the Financial Statements for the year ended 31 July 2015

| | Note | 2014/15 £000 | 2013/14 £000 |
|---|------|-----------------|-----------------|
| 5. Endowment and investment income | | | |
| Income from expendable endowments | 20 | 14 | 10 |
| Income from permanent endowments | 20 | 613 | 563 |
| Income from short-term investments | | 86 | 229 |
| | | 713 | 802 |
| 6. Staff costs | | | |
| Staff costs: | | | |
| Wages and salaries | | 113,078 | 112,825 |
| Social security costs | | 9,011 | 9,088 |
| Other pension costs | 33 | 16,677 | 16,276 |
| | | 138,766 | 138,189 |
| Staff costs by major category: | | | |
| Academic departments | | 72,918 | 74,039 |
| Academic services | | 9,700 | 8,028 |
| Research grants and contracts | | 36,367 | 36,061 |
| Administration and central services | | 11,963 | 12,380 |
| Premises | | 4,595 | 4,616 |
| Other | | 2,873 | 2,724 |
| Catering and residences | | 350 | 341 |
| | | 138,766 | 138,189 |
| Restructuring costs | | 4,094 | 2,450 |
| | | 142,860 | 140,639 |

Notes to the Financial Statements for the year ended 31 July 2015

6. Staff costs - continued

| Average monthly staff numbers by major category | 2014/15 Number | 2013/14 Number |
|---|-------------------|-------------------|
| Academic departments | 1,395 | 1,426 |
| Academic services | 238 | 205 |
| Research grants and contracts | 771 | 804 |
| Administration and central services | 292 | 313 |
| Premises | 173 | 175 |
| Other | 83 | 72 |
| Catering and residences | 13 | 13 |
| | 2,965 | 3,008 |
| | £000 | £000 |
| Emoluments of the Principal | 261 | 227 |

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

The Principal withdrew from the USS in 2011/12 resulting in a reduction in his total emoluments. Court, at its meeting on 22 April 2014 agreed that provision should be made for payment to the Principal of an amount equivalent to his pension entitlement within the USS Scheme, net of the employer's National Insurance payment, in order to restore his overall remuneration package to a level comparable to that he had received in 2010/11. Taking this and the national pay awards applied to all staff from 2010/11 to 2014/15 into account, the Principal's overall remuneration package over that four year period has increased by a total of 6%.

Notes to the Financial Statements

for the year ended 31 July 2015

6. Staff costs – continued

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:

| | 2014/15 Number Non-Clinical | 2014/15 Number Clinical | 2013/14 Number Non-Clinical | 2013/14 Number Clinical |
|---|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| £70,000 - £79,999 | 40 | 2 | 27 | 2 |
| £80,000 - £89,999 | 22 | 2 | 22 | 4 |
| £90,000 - £99,999 | 19 | 5 | 17 | 7 |
| £100,000 - £109,999 | 8 | 9 | 7 | 8 |
| £110,000 - £119,999 | 8 | 7 | 8 | 11 |
| £120,000 - £129,999 | 3 | 10 | 2 | 6 |
| £130,000 - £139,999 | 3 | 4 | 3 | 6 |
| £140,000 - £149,999 | 2 | 4 | 2 | 3 |
| £150,000 - £159,999 | - | 10 | - | 12 |
| £160,000 - £169,999 | - | 5 | - | 4 |
| £170,000 - £179,999 | - | 2 | - | 3 |
| £180,000 - £189,999 | - | 2 | - | 2 |
| £190,000 - £199,999 | - | - | - | - |
| £200,000 - £209,999 | - | 3 | - | 3 |
| £210,000 - £219,999 | - | 1 | - | 1 |
| £220,000 - £229,999 | - | 1 | - | 1 |
| | | | 2014/15 | 2013/14 |
| | | | £000 | £000 |
| Compensation for loss of office payable to senior post-holders: | | | | |
| Compensation payable | | | 1,230 | 1,034 |

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

Notes to the Financial Statements

for the year ended 31 July 2015

| | 2014/15 £000 | 2013/14 £000 |
|--|-----------------|------------------|
| 7. Other operating expenses | | |
| Academic departments | 15,521 | 16,730 |
| Academic services | 5,611 | 5,058 |
| Research grants and contracts | 22,822 | 27,934 |
| Administration and central services | 15,503 | 13,360 |
| Premises | 12,724 | 11,695 |
| Other | 6,237 | 4,712 |
| Catering and residences | 7,317 | 7,205 |
| | <u>85,735</u> | <u>86,694</u> |
| Other operating expenses include: | | |
| External auditors' remuneration in respect of audit services | 81 | 74 |
| External auditors' remuneration in respect of non-audit services | 136 | 7 |
| Internal auditors' remuneration | 100 | 81 |
| 8. Interest and other finance costs | | |
| Loans repayable within five years | 170 | 200 |
| Net charge on pension scheme | 231 | 470 |
| | <u>401</u> | <u>670</u> |
| 9. Taxation | | |
| Current tax: | | |
| UK corporation tax | 2,261 | - |
| | <u>2,261</u> | <u>-</u> |
| UK corporation tax relates to the tax deduction on research and development expenditure credits from the UK Government for the three years ended 31 July 2015. | | |
| 10. Surplus / (deficit) on continuing operations for the year | | |
| University surplus / (deficit) for the year | 3,441 | (1,936) |
| Deficit generated by associate and subsidiary undertakings | (97) | (48) |
| Surplus / (deficit) on continuing operations after depreciation of assets and disposal of assets and tax | <u>3,344</u> | <u>(1,984)</u> |

Notes to the Financial Statements

for the year ended 31 July 2015

11. Tangible fixed assets

| Group | Land and Buildings Freehold £000 | Equipment £000 | Assets in the Course of Construction £000 | Total £000 |
|--------------------------|-------------------------------------|-------------------|--|------------------|
| Cost | | | | |
| At 1 August 2014 | 287,889 | 76,934 | 13,528 | 378,351 |
| Additions | 5,895 | 10,578 | 1,947 | 18,420 |
| Transfers | 13,997 | - | (13,997) | - |
| Disposals | (590) | (181) | - | (771) |
| At 31 July 2015 | 307,191 | 87,331 | 1,478 | 396,000 |
| Depreciation | | | | |
| At 1 August 2014 | (97,777) | (54,215) | - | (151,992) |
| Charge for Year | (9,426) | (10,080) | - | (19,506) |
| Disposals | 255 | 145 | - | 400 |
| At 31 July 2015 | (106,948) | (64,150) | - | (171,098) |
| Net book value | | | | |
| At 31 July 2015 | 200,243 | 23,181 | 1,478 | 224,902 |
| At 31 July 2014 | 190,112 | 22,719 | 13,528 | 226,359 |
| University | | | | |
| Cost | | | | |
| At 1 August 2014 | 287,482 | 73,721 | 477 | 361,680 |
| Additions | 5,749 | 10,566 | 789 | 17,104 |
| Transfer from subsidiary | 13,536 | - | - | 13,536 |
| Transfers | 454 | - | (454) | - |
| Disposals | (590) | (180) | - | (770) |
| At 31 July 2015 | 306,631 | 84,107 | 812 | 391,550 |
| Depreciation | | | | |
| At 1 August 2014 | (97,691) | (52,448) | - | (150,139) |
| Charge for Year | (9,189) | (9,921) | - | (19,110) |
| Transfer from subsidiary | (226) | - | - | (226) |
| Disposals | 256 | 145 | - | 401 |
| At 31 July 2015 | (106,850) | (62,224) | - | (169,074) |
| Net book value | | | | |
| At 31 July 2015 | 199,781 | 21,883 | 812 | 222,476 |
| At 31 July 2014 | 189,791 | 21,273 | 477 | 211,541 |

Notes to the Financial Statements

for the year ended 31 July 2015

11. Tangible fixed assets - continued

Buildings with net book value of £69,161k and cost of £115,510k 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.

12. Investments

| Group | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Balance at 1 August | 731 | 868 |
| Disposals | - | (136) |
| Released to income and expenditure | - | (1) |
| Surplus on revaluation of investments | 10 | - |
| Balance at 31 July | 741 | 731 |
| Value at 31 July: | | |
| Listed investments | - | 1 |
| Index linked government stocks and investment trusts | 685 | 674 |
| Other | 56 | 56 |
| | 741 | 731 |
| University | | |
| Balance at 1 August | 836 | 973 |
| Disposals | - | (136) |
| Released to income and expenditure | - | (1) |
| Surplus on revaluation of investments | 10 | - |
| Balance at 31 July | 846 | 836 |
| Value at 31 July: | | |
| Listed investments | - | 1 |
| Index linked government stocks and investment trusts | 685 | 674 |
| Subsidiary companies | 105 | 105 |
| Other | 56 | 56 |
| | 846 | 836 |

Included in the above is £682k (2014 - £671k) in respect of investments for the future costs of early retirement pensions. The full list of subsidiary companies is listed in note 34.

Notes to the Financial Statements for the year ended 31 July 2015

| | Group and University | |
|---|----------------------|---------------|
| | 2015 £000 | 2014 £000 |
| 13. Endowment assets | | |
| Balance at 1 August | 24,008 | 23,116 |
| Additions | 3,194 | 7,522 |
| Disposals | (3,287) | (5,311) |
| Increase in market value of investments | 932 | 551 |
| Increase / (decrease) in cash balances held for endowment funds | 104 | (1,870) |
| Balance at 31 July | 24,951 | 24,008 |
| Market Value at 31 July: | | |
| Convertibles (listed) | 1,282 | 1,591 |
| Equities (listed) | 19,605 | 18,457 |
| Bank balances | 4,064 | 3,960 |
| | 24,951 | 24,008 |

Included in bank balances is £3,763k (2014 - £3,836k) relating to expendable endowments.

| | Group 2015 £000 | Group 2014 £000 | University 2015 £000 | University 2014 £000 |
|---------------------------------------|-----------------------|-----------------------|----------------------------|----------------------------|
| 14. Debtors | | | | |
| Debtors | 9,254 | 12,528 | 9,230 | 12,501 |
| Amounts due from subsidiary companies | - | - | 6,807 | 15,598 |
| Prepayments and accrued income | 26,843 | 18,878 | 26,621 | 18,866 |
| | 36,097 | 31,406 | 42,658 | 46,965 |

15. Short-term investments

The short-term investment (£6,095k) for both Group and University includes cash deposits held with various financial institutions. This is done to maximise the return and all amounts are accessible within 12 months.

| | Group 2015 £000 | Group 2014 £000 | University 2015 £000 | University 2014 £000 |
|--|-----------------------|-----------------------|----------------------------|----------------------------|
| 16. Creditors - amounts falling due within one year | | | | |
| Research grants received on account | 21,720 | 24,610 | 21,720 | 24,610 |
| Other payments received on account | 23,491 | 29,873 | 23,475 | 29,854 |
| Unsecured Loans | 97 | - | 97 | - |
| Trade creditors | 6,383 | 5,681 | 6,396 | 5,679 |
| Amounts due to subsidiary companies | - | - | 227 | 179 |
| Social security and other taxation payable | 2,906 | 2,992 | 2,906 | 2,992 |
| Accruals | 22,493 | 30,542 | 21,982 | 30,281 |
| | 77,090 | 93,698 | 76,803 | 93,595 |

Accruals for both Group and University include an amount of £892k in respect of voluntary severance costs.

Notes to the Financial Statements for the year ended 31 July 2015

| | Group and University | |
|---|----------------------|--------------|
| | 2015 £000 | 2014 £000 |
| 17. Creditors - amounts falling due after more than one year | | |
| Unsecured Loans | 540 | - |
| Accruals and deferred income | 1,173 | 1,375 |
| | 1,713 | 1,375 |
| Analysis of unsecured loans: | | |
| Due within one year or on demand | 97 | - |
| Due between one and two years | 97 | - |
| Due between two and five years | 290 | - |
| Due in five years or more | 153 | - |
| | 637 | - |
| Due within one year or on demand | (97) | - |
| Due after more than one year | 540 | - |

There are two loans from Salix Limited amounting to £686k repayable in six-monthly, interest-free instalments until April 2022 to fund energy efficient lighting projects of which £637k remains outstanding at 31 July 2015.

The University also has 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 2015, the amount drawn down was £nil (2014 £nil).

| | Early Retirement Pension Costs £000 | Other £000 | Associated Company £000 | Total £000 |
|---------------------------------------|---|---------------|-------------------------------|---------------|
| 18. Provisions for liabilities | | | | |
| Group | | | | |
| At 1 August 2014 | 6,316 | 5,152 | 3,812 | 15,280 |
| Expenditure in the year | (494) | (380) | - | (874) |
| Additional provision required in year | 268 | 971 | 97 | 1,336 |
| Revaluation adjustment | 205 | - | - | 205 |
| At 31 July 2015 | 6,295 | 5,743 | 3,909 | 15,947 |
| University | | | | |
| At 1 August 2014 | 6,316 | 5,152 | - | 11,468 |
| Expenditure in the year | (494) | (380) | - | (874) |
| Additional provision required in year | 268 | 971 | - | 1,239 |
| Revaluation adjustment | 205 | - | - | 205 |
| At 31 July 2015 | 6,295 | 5,743 | - | 12,038 |

Notes to the Financial Statements

for the year ended 31 July 2015

● 18. 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 2015 was carried out by the University's appointed independent actuary, Xafinity Consulting.

Other provisions include amounts relating to 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 2015

| | DSV Ltd £000 | University share of DSV Ltd £000 |
|--------------------------------|-----------------|-------------------------------------|
| Aggregate capital and reserves | (11,725) | (3,909) |
| Loss for the year | (290) | (97) |
| Incoming resources | 6,828 | 2,276 |
| Fixed assets | 36,470 | 12,157 |
| Current assets | 9,619 | 3,206 |
| Liabilities less than one year | (1,012) | (337) |
| Liabilities more than one year | (56,802) | (18,934) |

Notes to the Financial Statements

for the year ended 31 July 2015

| 19. Deferred capital grants | Note | Scottish Funding Council £000 | Other Grants £000 | Total £000 |
|------------------------------------|-------|--|-------------------------|-------------------|
| Group | | | | |
| At 1 August 2014 | | | | |
| Buildings | | 68,423 | 56,014 | 124,437 |
| Equipment | | 9,630 | 6,960 | 16,590 |
| | | 78,053 | 62,974 | 141,027 |
| Cash received | | | | |
| Buildings | | 4,593 | 1,351 | 5,944 |
| Equipment | | 3,923 | 4,241 | 8,164 |
| | | 8,516 | 5,592 | 14,108 |
| Released to income and expenditure | | | | |
| Buildings | | (3,838) | (2,019) | (5,857) |
| Equipment | | (3,168) | (4,571) | (7,739) |
| | 1,3,4 | (7,006) | (6,590) | (13,596) |
| At 31 July 2015 | | | | |
| Buildings | | 69,178 | 55,346 | 124,524 |
| Equipment | | 10,385 | 6,630 | 17,015 |
| | | 79,563 | 61,976 | 141,539 |

Notes to the Financial Statements for the year ended 31 July 2015

19. Deferred capital grants

University

At 1 August 2014

Buildings

Equipment

Scottish
Funding
Council
£000

Other
Grants
£000

Total
£000

68,423

53,316

121,739

9,630

6,943

16,573

78,053

60,259

138,312

Buildings transferred from subsidiary

581

2,653

3,234

Cash received

Buildings

Equipment

3,958

1,396

5,354

3,923

4,240

8,163

7,881

5,636

13,517

Released to income and expenditure

Buildings

Equipment

(3,784)

(2,019)

(5,803)

(3,168)

(4,571)

(7,739)

(6,952)

(6,590)

(13,542)

At 31 July 2015

Buildings

Equipment

69,178

55,346

124,524

10,385

6,612

16,997

79,563

61,958

141,521

Notes to the Financial Statements for the year ended 31 July 2015

20. Endowments

| | Group and University | | | | | |
|--|-----------------------------------|---------------------------------|----------------------------|----------------------------------|-----------------------|-----------------------|
| | Unrestricted Permanent £000 | Restricted Permanent £000 | Total Permanent £000 | Restricted Expendable £000 | 2015 Total £000 | 2014 Total £000 |
| Balances at 1 August | | | | | | |
| Capital | 5,380 | 13,347 | 18,727 | 3,836 | 22,563 | 21,688 |
| Accumulated income | - | 1,445 | 1,445 | - | 1,445 | 1,428 |
| | 5,380 | 14,792 | 20,172 | 3,836 | 24,008 | 23,116 |
| New endowments | - | 69 | 69 | 337 | 406 | 675 |
| Investment income | 179 | 434 | 613 | 14 | 627 | 573 |
| Expenditure | (179) | (419) | (598) | (424) | (1,022) | (907) |
| Increase in market value of investments | 268 | 664 | 932 | - | 932 | 551 |
| At 31 July | 5,648 | 15,540 | 21,188 | 3,763 | 24,951 | 24,008 |
| Represented by: | | | | | | |
| Capital | 5,648 | 14,080 | 19,728 | 3,763 | 23,491 | 22,563 |
| Accumulated income | - | 1,460 | 1,460 | - | 1,460 | 1,445 |
| | 5,648 | 15,540 | 21,188 | 3,763 | 24,951 | 24,008 |
| Analysis by type of purpose: | | | | | | |
| Lectureships | - | 5,208 | 5,208 | - | 5,208 | 4,911 |
| Scholarships and bursaries | 2,946 | 7,013 | 9,959 | 233 | 10,192 | 9,765 |
| Research support | - | 519 | 519 | 3,135 | 3,654 | 3,789 |
| Prize funds | - | 2,277 | 2,277 | 62 | 2,339 | 2,245 |
| General | 2,702 | 523 | 3,225 | 333 | 3,558 | 3,298 |
| | 5,648 | 15,540 | 21,188 | 3,763 | 24,951 | 24,008 |

Notes to the Financial Statements for the year ended 31 July 2015

21. Reserves

Income and expenditure reserve

| | Note | Group £000 | University £000 |
|------------------------|------|---------------|--------------------|
| At 1 August 2014 | | 39,490 | 42,803 |
| Surplus for the year | | 3,739 | 3,836 |
| Less pension surplus | | (879) | (879) |
| At 31 July 2015 | | 42,350 | 45,760 |

Pension reserve

| | | | |
|----------------------------------|----|-------------------|-------------------|
| At 1 August 2014 | | (34,123) | (34,123) |
| Actuarial loss | 33 | (14,528) | (14,528) |
| Surplus retained within reserves | | 879 | 879 |
| At 31 July 2015 | | (47,772) | (47,772) |

Revaluation reserve

| | | | |
|---------------------------------------|--|------------|------------|
| At 1 August 2014 | | 485 | 485 |
| Surplus on revaluation of investments | | 10 | 10 |
| At 31 July 2015 | | 495 | 495 |

22. Reconciliation of surplus / (deficit) after depreciation of tangible fixed assets and before tax to net cash (outflow) / inflow from operating activities

| | Note | 2015 £000 | 2014 £000 |
|---|------|-------------------|--------------|
| Surplus / (deficit) after depreciation of tangible fixed assets | | 5,310 | (1,787) |
| Depreciation | 11 | 19,506 | 16,871 |
| Deferred capital grants released to income | 19 | (13,596) | (11,400) |
| Investment income | 5 | (713) | (802) |
| Interest payable | 8 | 401 | 670 |
| (Increase) / decrease in stocks | | (18) | 87 |
| (Increase) / decrease in debtors | | (6,996) | 856 |
| (Decrease) / increase in creditors | | (14,358) | 6,457 |
| Increase / (decrease) in provisions | | 570 | (723) |
| Change in value of investments | 12 | - | 1 |
| Pension costs less contributions payable | | (1,110) | (1,559) |
| Net cash (outflow) / inflow from operating activities | | (11,004) | 8,671 |

Notes to the Financial Statements

for the year ended 31 July 2015

| | | | | |
|--|---|--------------------|-------------------|-------------------|
| 23. Returns on investments and servicing of finance | | 2015 | 2014 | |
| | | £000 | £000 | |
| | Income from endowments | 627 | 573 | |
| | Other interest received | 130 | 223 | |
| | Interest paid | (225) | (158) | |
| | | <u>532</u> | <u>638</u> | |
| 24. Capital expenditure and financial investment | | | | |
| | Proceeds from sales of fixed assets | 639 | 500 | |
| | Receipts from disposal of fixed asset investments | - | 136 | |
| | New endowments received | 406 | 675 | |
| | Receipts from disposal of endowment asset investments | 3,287 | 5,311 | |
| | Payments to acquire endowment asset investments | (3,194) | (7,522) | |
| | Payments to acquire tangible fixed assets | (20,839) | (32,555) | |
| | Deferred capital grants received | 14,157 | 23,258 | |
| | Net cash outflow from capital expenditure and financial investment | <u>(5,544)</u> | <u>(10,197)</u> | |
| 25. Management of liquid resources | | | | |
| | Net decrease in short term investments | 13,050 | 13,758 | |
| 26. Financing | | | | |
| | Movement in unsecured loans | 637 | (8,500) | |
| 27. Analysis of changes in net funds | | | | |
| | | At 1 August | Cash Flows | At 31 July |
| | | 2014 | 2015 | 2015 |
| | | £000 | £000 | £000 |
| | Cash at bank and in hand | 13,489 | (2,433) | 11,056 |
| | Endowment assets | 3,960 | 104 | 4,064 |
| | | <u>17,449</u> | <u>(2,329)</u> | <u>15,120</u> |
| | Short-term investments | 19,145 | (13,050) | 6,095 |
| | Debt due within one year | - | (97) | (97) |
| | Debt due after one year | - | (540) | (540) |
| | | <u>36,594</u> | <u>(16,016)</u> | <u>20,578</u> |

Notes to the Financial Statements

for the year ended 31 July 2015

| | Group 2015 £000 | Group 2014 £000 | University 2015 £000 | University 2014 £000 |
|---|-----------------------|-----------------------|----------------------------|----------------------------|
| 28. Capital commitments | | | | |
| Provision has not been made for the following capital commitments at 31 July: | | | | |
| Commitments contracted for | 5,025 | 4,279 | 4,825 | 4,079 |
| Authorised but not contracted for | 4,725 | 6,670 | 4,725 | 6,670 |
| | 9,750 | 10,949 | 9,550 | 10,749 |

29. 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 £79k remains outstanding at 31 July 2015. 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).

30. Post balance sheet events

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

| | 2014/15 Childcare £000 | 2014/15 Discretionary £000 | 2014/15 Total £000 | 2013/14 Total £000 |
|--|------------------------------|----------------------------------|--------------------------|--------------------------|
| 31. Bursaries and other student support funds | | | | |
| Balance b/fwd | - | - | - | - |
| Refund to Scottish Funding Council | - | (2) | (2) | (29) |
| Allocation received in the year | 279 | 605 | 884 | 902 |
| Expenditure | (269) | (602) | (871) | (884) |
| University contribution to funds | - | 1 | 1 | 2 |
| Virements | (10) | (2) | (12) | 9 |
| Balance c/fwd | - | - | - | - |
| Retained by University for students | - | - | - | - |

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

for the year ended 31 July 2015

32. Disclosure of related party transactions

Due to the nature of the University's operations and the membership of the University Court being drawn from the public and private sectors transactions may take place with organisations in which a member of University Court may have an interest. All transactions involving organisations in which members of the University Court 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 34. 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:

| | 2015 £000 | 2014 £000 |
|----------------------------------|--------------|--------------|
| Due to Dundee Student Villages | (7) | (10) |
| Due from Dundee Student Villages | - | - |

In accordance with the agreement with Dundee Student Villages, the University transferred £7.4m of student rental income to Sanctuary Housing Association.

£66k of conference and room hire was purchased from West Park Centre Limited, a trading subsidiary of Dundee Student Villages.

33. 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). 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. For some former employees of the Medical Research Council (MRC) contributions are paid to the MRC Pension Scheme.

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

| | 2014/15 £000 | 2013/14 £000 |
|--|-----------------|-----------------|
| USS contributions paid | 12,826 | 12,959 |
| UODS charge to income and expenditure | 3,113 | 2,544 |
| Contributions paid to other pension schemes | 738 | 773 |
| Total pension costs | 16,677 | 16,276 |
| Outstanding pension contributions at 31 July | 2,230 | 2,254 |

Notes to the Financial Statements for the year ended 31 July 2015

● 33. 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 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. It also participates in the Medical Research Council Pension Scheme for former employees of the MRC. 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 triennial actuarial valuation of the scheme at 31 March 2014, the contribution rate payable by the University to USS remained unchanged at 16% of pensionable salaries.

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 year.

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 UODS scheme.

Following the triennial valuation 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's fund, identified in the triennial valuation, over a period ending 31 October 2024.

Notes to the Financial Statements for the year ended 31 July 2015

33. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

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.

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

| | 2015 % | 2014 % |
|--|-----------|-----------|
| Price increases – RPI | 3.5 | 3.4 |
| Price increases – CPI | 2.5 | 2.7 |
| Salary increases | 3.5 | 3.7 |
| Revaluation of deferred benefits | 2.5 | 2.7 |
| Increases for pensions in payment: | | |
| Fixed | 3.0 | 3.0 |
| RPI – subject to 5% maximum and 3% minimum | 3.7 | 3.7 |
| RPI – subject to 5% maximum | 3.4 | 3.3 |
| CPI (CARE) – subject to 3% maximum | 2.2 | 2.3 |
| Discount rate | 3.5 | 4.2 |

The current mortality assumptions include allowance for future improvements in mortality rates.

The assumed life expectations on retirement at age 63 are:

| | 2015 years | 2014 years |
|------------------------------------|---------------|---------------|
| <i>Retiring today</i> | | |
| Males | 23.4 | 23.1 |
| Females | 25.6 | 25.4 |
| <i>Retiring in 20 years</i> | | |
| Males | 24.1 | 24.3 |
| Females | 26.3 | 26.6 |

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

| | Long term rate of return | | | 31 July 2015 £ Million | Value at | |
|------------------|--------------------------|-----------|-----------|---------------------------|---------------------------|---------------------------|
| | 2015 % | 2014 % | 2013 % | | 31 July 2014 £ Million | 31 July 2013 £ Million |
| Equities | 3.5 | 6.3 | 6.3 | 68.0 | 61.8 | 57.3 |
| Government Bonds | 3.5 | 3.3 | 3.3 | 4.1 | 15.0 | 14.1 |
| Corporate Bonds | 3.5 | 4.1 | 4.7 | 18.3 | 4.4 | 3.8 |
| Cash | 3.5 | 3.3 | 3.3 | 2.5 | 2.6 | 3.7 |
| Secured Pensions | 3.5 | 4.4 | 4.7 | 0.5 | 0.2 | 0.2 |
| | | | | 93.4 | 84.0 | 79.1 |

Notes to the Financial Statements for the year ended 31 July 2015

● 33. 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:

| | 2015 £000 | 2014 £000 |
|--|-------------------|-------------------|
| Analysis of amount shown in the balance sheet | | |
| Total market value of assets | 93,439 | 83,980 |
| Present value of scheme liabilities | (141,211) | (118,103) |
| Net pension liability | (47,772) | (34,123) |

Analysis of amount charged to staff costs within operating surplus

| | | |
|-------------------------------|--------------|--------------|
| Current service cost | 3,113 | 2,544 |
| Total operating charge | 3,113 | 2,544 |

Analysis of amount charged to interest payable

| | | |
|--|----------------|----------------|
| Expected return on pension scheme assets | 4,721 | 4,457 |
| Interest on pension scheme liabilities | (4,952) | (4,927) |
| Net charge | (231) | (470) |

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

| | | |
|---|-------------------|------------------|
| Actual return less expected return on pension scheme assets | 2,559 | (1,980) |
| Changes in assumptions underlying the present value of scheme liabilities | (17,087) | (7,925) |
| Actuarial loss recognised in STRGL | (14,528) | (9,905) |

Notes to the Financial Statements for the year ended 31 July 2015

33. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

| | 2015 £000 | 2014 £000 |
|---|-------------------|-------------------|
| Movement in deficit in the year | | |
| Deficit in scheme at beginning of year | (34,123) | (25,307) |
| Movement in year: | | |
| Current service cost | (3,113) | (2,544) |
| Contributions | 4,223 | 4,103 |
| Net charge on assets | (231) | (470) |
| Actuarial loss | (14,528) | (9,905) |
| Deficit in scheme at end of year | (47,772) | (34,123) |

Analysis of movement in the present value of the scheme liabilities

| | | |
|--------------------------------------|----------------|----------------|
| At beginning of year | 118,103 | 104,422 |
| Current service cost | 3,113 | 2,544 |
| Interest cost | 4,952 | 4,927 |
| Contributions by scheme participants | 1,481 | 1,439 |
| Actuarial loss | 17,087 | 7,925 |
| Net benefits paid | (3,525) | (3,154) |
| At end of year | 141,211 | 118,103 |

Analysis of movement in the market value of the scheme assets

| | | |
|--|---------------|---------------|
| At beginning of year | 83,980 | 79,115 |
| Expected rate of return on scheme assets | 4,721 | 4,457 |
| Actuarial gain / (loss) | 2,559 | (1,980) |
| Contribution by the employer | 4,223 | 4,103 |
| Contributions by scheme participants | 1,481 | 1,439 |
| Net benefits paid | (3,525) | (3,154) |
| At end of year | 93,439 | 83,980 |

Notes to the Financial Statements for the year ended 31 July 2015

33. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

| History of the scheme assets and liabilities | 2015 £000 | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Market value of scheme assets | 93,439 | 83,980 | 79,115 | 72,852 | 68,590 |
| Present value of scheme liabilities | (141,211) | (118,103) | (104,422) | (96,493) | (91,200) |
| Net Pension liability | (47,772) | (34,123) | (25,307) | (23,641) | (22,610) |

| History of experience gains and losses Cumulative | 2015 £000 | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Difference between the expected and actual return on scheme assets: | | | | | |
| Amount | 2,559 | (1,980) | 726 | (1,170) | 5,032 |
| Percentage of scheme assets | 2.7% | (2.4%) | 0.9% | (1.6%) | 7.3% |
| Experience losses on scheme liabilities: | | | | | |
| Amount | (17,087) | (7,925) | (3,741) | (497) | (4,180) |
| Percentage of the present value of scheme liabilities | (12.1%) | (6.7%) | (3.6%) | (0.5%) | (4.6%) |
| Total amount recognised in statement of total recognised gains and losses: | | | | | |
| Amount | (14,528) | (9,905) | (3,015) | (1,667) | 852 |
| Percentage of the present value of scheme liabilities | (10.3%) | (8.4%) | (2.9%) | (1.7%) | 0.9% |

The cumulative amount of actuarial loss recognised in the statement of total recognised gains and losses is £51,451k (2014: £36,923k).

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 2015/16 is £4,400k.

The actual return on scheme assets in the year was £7,280k (2014: £2,477k).

Notes to the Financial Statements

for the year ended 31 July 2015

34. Subsidiary undertakings

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

| Company | Purpose | Number of Shares | Percentage Owned |
|--|---|----------------------|------------------|
| Dundee University Utility Supply Company Limited SC124982 | To generate heat and power solely for the University. | 2 | 100% |
| Dundee University Project Management Limited SC157081 | To manage professional fees on major capital build projects. | 1 | 100% |
| AMCET Limited SC203791 | The company is no longer trading. Formerly, it promoted, developed and commercialised novel technology. | 100 | 74% |
| University of Dundee Nursery Limited SC230105 | To promote the care and education of children of staff and students of the University. | Limited by Guarantee | 100% |
| Dundee University Press Limited SC243332 | The company is no longer trading. Formerly, it operated as a specialist publishing company, producing academic and specialist titles for student, library, research and other professional markets. | 150,000 | 70.1% |
| Dundee University Incubator Limited SC176751 | To support new ventures by managing incubator units. | 147,000 | 100% |

Notes to the Financial Statements for the year ended 31 July 2015

35. 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 2015 on the total funds of the University of Dundee Nursery Limited, as reported in its Financial Statements, was as follows:

| | At 1 August 2014 £000 | Income £000 | Expenditure £000 | Change in market value £000 | At 31 July 2015 £000 |
|--|-----------------------------|----------------|---------------------|-----------------------------------|----------------------------|
| Consolidated (see note 34) | | | | | |
| University of Dundee Nursery Limited (SC032969) | 175 | 202 | (170) | - | 207 |

The Financial Statements of the Centenary Trust of Duncan of Jordanstone College of Art to 31 July 2015 have not yet been prepared. The Financial Statements for the year to 31 July 2014 show the movement in the year on the total funds as follows:

| | At 1 August 2013 £000 | Income £000 | Expenditure £000 | Change in market value £000 | At 31 July 2014 £000 |
|--|-----------------------------|----------------|---------------------|-----------------------------------|----------------------------|
| Not Consolidated | | | | | |
| Centenary Trust of Duncan of Jordanstone College of Art (SC020617) | 117 | 1 | - | - | 118 |

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.







University of Dundee
Dundee DD1 4HN
tel +44 (0) 1382 383000
web www.dundee.ac.uk

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