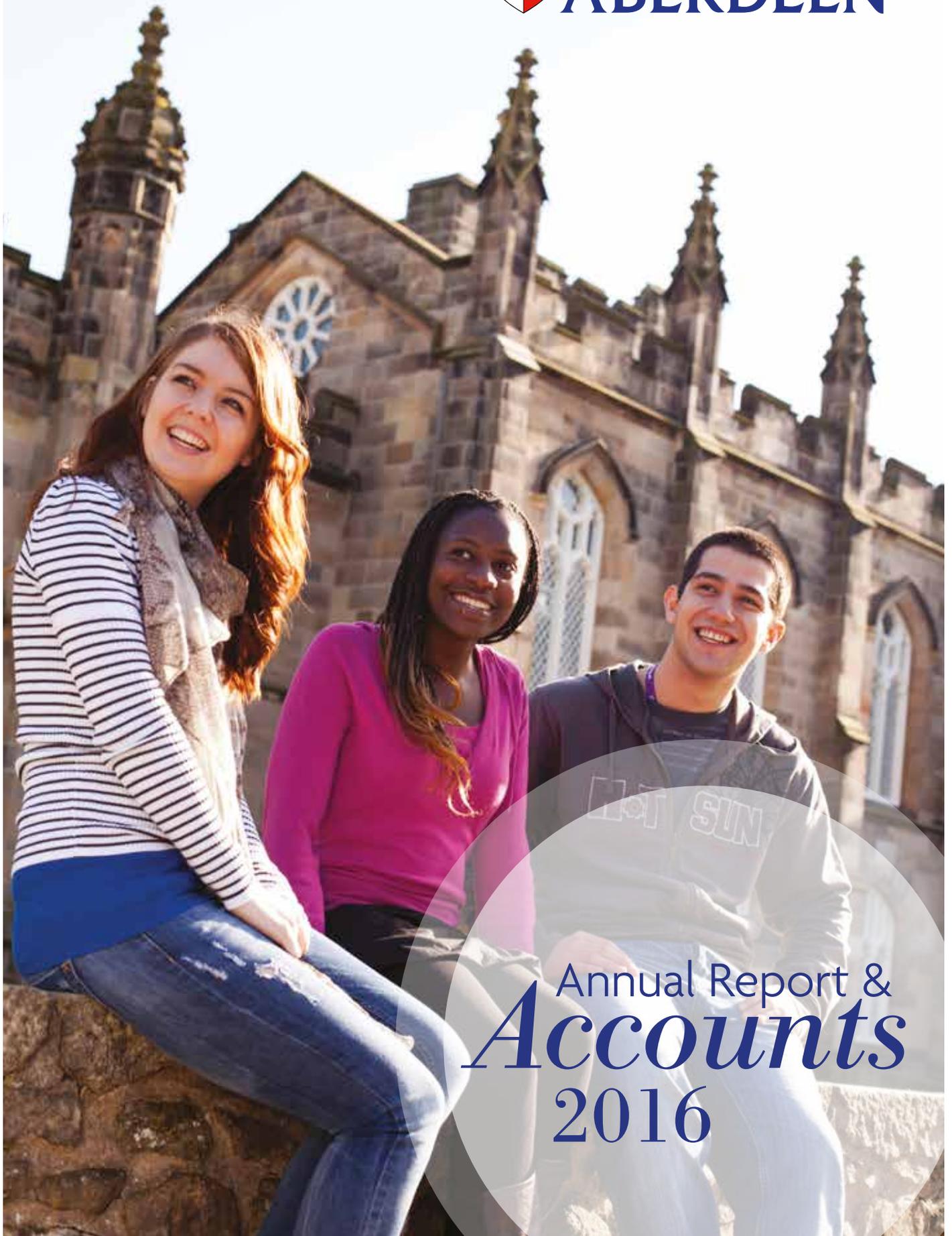


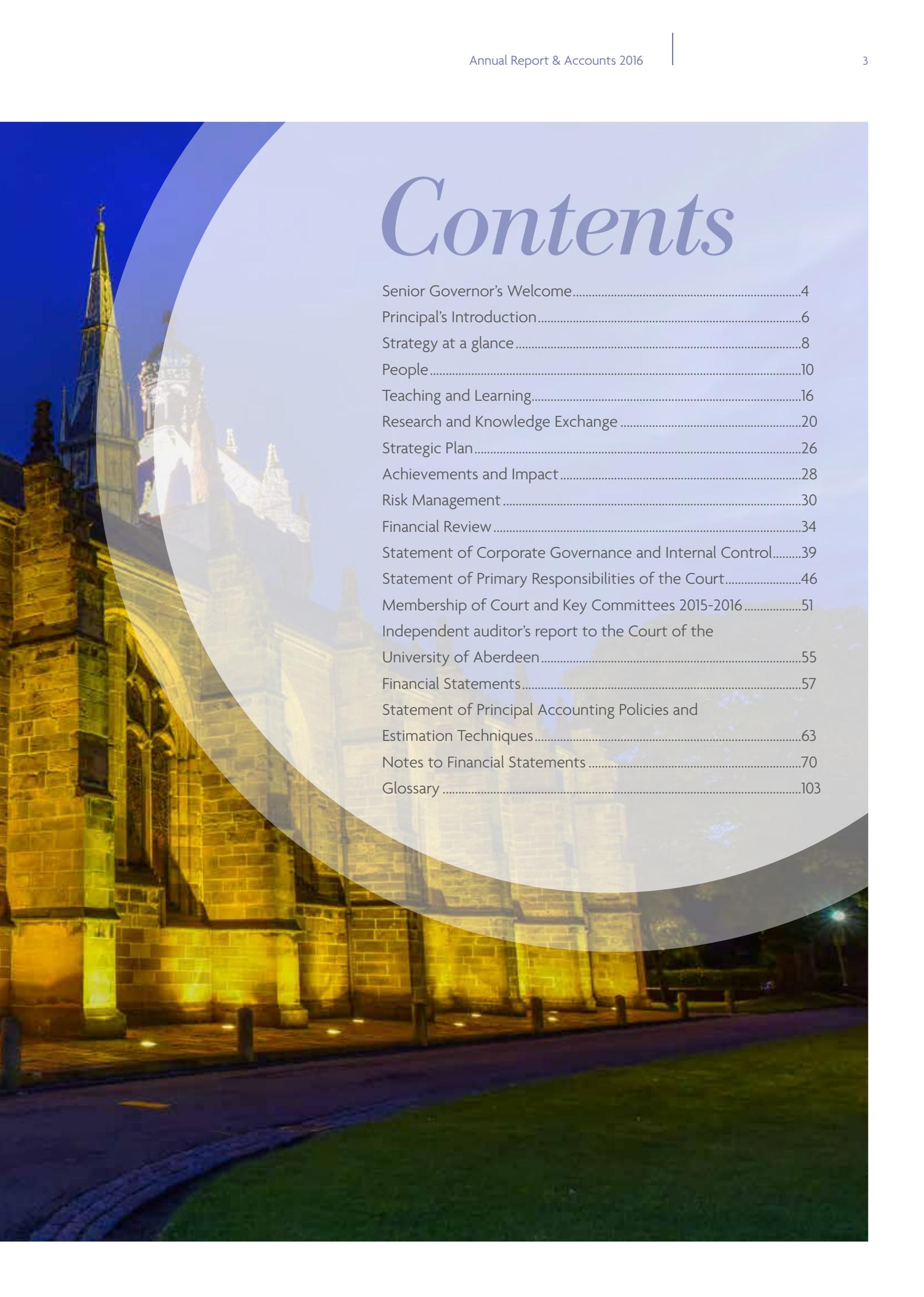


UNIVERSITY OF  
**ABERDEEN**



Annual Report &  
*Accounts*  
2016





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## Senior Governor's Introduction

On behalf of the University Court, I am delighted to welcome you to this Annual Report. While the University has always provided extensive information in its financial statements, this year for the first time, the format has been extended to that of an Annual Report combining highlights from the life of Aberdeen's diverse and

thriving academic community with our strategic and financial performance. I hope that, like me, you will be impressed by the many achievements of the University's staff, students and alumni, a flavour of which is presented in this report.

This will be the first and regrettably the last welcome to this new style of report that I will have the opportunity to provide as it coincides with the end of my term of office as Senior Governor of the University Court. I became a member of Court in 2002 and Senior Governor in 2009. Throughout that time it has been an enormous privilege and inspiration for me to work with the staff, students and supporters of one of Scotland's great institutions.

Over this period of nearly 15 years the world of higher education has changed significantly. It has become ever more competitive and that in turn has presented opportunities and challenges for the University.

I am encouraged that the University has always responded to those challenges and evidence of this can be seen in our record of growth, investment and innovation. We have invested significantly in people – with several major recruitment campaigns to attract world leading academic staff to Aberdeen. Equally, we have invested strongly in our campuses resulting in their transformation. One only needs to look at our medical campus at Foresterhill, for example, to see how buildings such as the Suttie Centre for Teaching and Learning in Healthcare, the Institute of Applied Health Sciences and most recently the new home for the Rowett Institute of Nutrition and Health represent cutting edge new additions to one of Europe's most important medical campuses. In Old Aberdeen, the Sir Duncan Rice Library and the Aberdeen Sports Village



are not just outstanding facilities for our students and staff – they are wonderful new assets benefitting the wider community of the North East of Scotland.

That record of investment has allowed the University to remain competitive and grow its reputation internationally. It has only been possible, of course, because we have maintained a solid financial foundation on which we can build. Despite the difficult financial climate and declining government funding, the University continues to deliver a strong underlying financial performance. However, due to changes in accounting regulations, we are now required to recognise the deficits in our defined benefit pension schemes and like most research intensive universities, this has had a negative impact on our reported year-end position. In these times of challenge, it remains vital that the University continue to innovate, achieve income growth and strengthen the financial basis necessary for continued investment and future success.

Recent years have also seen a period of significant change in the governance of universities in Scotland. As the Corporate Governance section of this report details, the Court has dedicated significant time to ensuring our governance arrangements meet the highest standards. In the past year we have moved quickly to review how we will comply with the new governance legislation for higher education in Scotland that was passed by Parliament in March, and is expected to come into force early in 2017.

This Annual Report includes insights into many characteristics of the University community today. Two of the most pleasing developments for me personally have involved cultural change. The first is in the University's approach to Health, Safety and Wellbeing. As an employer and as a home to thousands of students, the University's commitment to ensuring their safety and

wellbeing must be absolute and without complacency. It has been pleasing to see the steps the University has taken to enhance continually and embed a safety culture at all levels across its community of staff and students – and to take this work into wider areas of the wellbeing of staff and students.

The other culture change that I am struck by is the extent to which the University increasingly defines itself internationally. Whether it is the growth of our international student community, the forging of new research and teaching partnerships with leading universities around the world or the strengthening of our engagement with alumni worldwide, there has undoubtedly been a growing commitment to making Aberdeen an institution that is global in its reach. More than anything, it has been a tremendous privilege for me to be part of those developments.

I hope you will enjoy as much as I have reading more about the many ways our University is transforming the world with greater knowledge.

**Sir Moir Lockhead OBE**



Senior Governor





*For our students from the EU I welcome the Scottish Government's decision to guarantee the fee status of EU students for entry in 2017 and 2018.*

## Principal's Introduction

It is with great enthusiasm that I write this foreword to our first formal Annual Report. In a year in which there have been external events impacting on our activities the University has continued to perform well and has made a number of innovations that will set us on a course to a successful future.

I am proud to report on excellent progress against our Strategic Plan, developed after an unprecedented consultation amongst our community and our stakeholders. The plan places people at the heart of our activities and focuses on climbing the twin peaks of excellence in education and in research. And let me, at the outset, thank all my colleagues, right across the University in both academic and support roles for their incredible commitment in enabling us to continue to climb both peaks in what has been a challenging year.

The vote to leave the European Union (EU) on 23 June has brought uncertainty to both students and staff. Immediately following the vote we moved to reassure all our community that we remained a University that looked outwards and was part of a higher education endeavour that crossed nation state boundaries. For our students from the EU, I welcome the Scottish Government's decision to guarantee the fee status of EU students for entry in 2017 and 2018. We will now work tirelessly to argue for freedom of movement for both staff and for students and also for continued access, with influence, to European research networks. These networks are so important for building the research teams necessary to address some of the world's biggest challenges, such as our current work, led by Professor David Lurie, in which a pan-European team is working on a next generation MRI scanner.

But as well as lobbying for access to European networks, we have been actively building our own. I was delighted to be at the launch, in Amsterdam, of the Aurora Network – a new network of nine European universities with similar missions to our own who will work together to enhance education, the student experience and research. International partnerships such as this one are central to our future as an outward-looking global university.

Also at the launch was Professor Margaret Ross, our first Vice-Principal for People, who has been outstanding in driving our People agenda. Among many successes has been the opening of our wonderful new campus nursery for the children of our students and staff, plus an enhanced agenda in equality and diversity, including two Athena Swan awards for Psychology and Natural and Computing Science; the implementation of fair workloads and, for staff for whom it is appropriate, flexible workloads including, for example, the option of nine day fortnights. This year has also seen the development of a top class mental health strategy and our commitment to a No Bystanders pledge against bullying and harassment. In addition Margaret, together with Naveed Qamar, our Director of Health, Safety and Wellbeing, has transformed this area. For example, by introducing a comprehensive programme of safety visits and our first health and wellbeing days, and in future years we will hope to see a continued upward trajectory.

And in so doing we need to ensure that our partnership with our student body is sound and innovative, not only in all areas of our People strategy, but in continuously improving our student experience. After two years of excellent work as a sabbatical officer, the second as President, Genna Clarke finished her term and moved on to the next stage of her career; to be followed by Chubbe Anucha. He and his outstanding

team are committed to the same vision for the student experience, namely increasing retention, improving assessment and feedback, celebrating and enhancing the co-curricular; and generating best practice in technology enhanced learning. It behoves all of us to work together to drive change, for example by implementing the various recommendations of Dr Steve Tucker's Working Group on Retention. An increasingly important pathway for our students is to have undertaken a programme of further education before articulating into the university and it is excellent to see the plans that have developed this year to articulate our first students in Law and to sign a new agreement with Fife College. I was delighted to welcome our new undergraduate and postgraduate students this year and to showcase to them the new, state of the art student facilities at Hillhead, which reinforce our commitment to providing an all-round, outstanding experience for our students.

Our education is deeply influenced by our research and as we learn the rules for the next Research Excellence Framework, it is extremely pleasing to note our greatly increased success rates from some of our major funders, for example the BBSRC; and the successes in funding that we have had right across the University, whether it is the MRC Centre in Medical Mycology or the work on Aberdeen's history led by Jackson Armstrong. And our research continues to have real impact in many arenas. There are far too many to mention but a few examples are Professor Tom Greggs' inspirational work for the World Council of Churches Faith and Order Commission; Professor Michael Keating bringing sense to the changing constitutional challenges of the United Kingdom; as well as the continued success of Dr Mohamed Imbabi and Professor Fred Glasser's work on carbon capture for building materials, Professor Claude Wischik's work on Alzheimer's and Professor Lora Heisler on obesity. These, and many

other opportunities will be facilitated by our international partnerships such as those with Wuhan University in China.

All of this great work continues in a challenging financial and political climate. As well as the vote on membership of the EU, the oil and gas downturn impacts on our postgraduate students. National fiscal austerity means a reduction in our funding from the Scottish Government and increasing costs mean that we must make efficiencies and look constantly to develop innovative new ways to increase revenue streams; and the English Higher Education Bill and UK immigration policy provide further headwinds that we must face. In addition we are working through the implications of the Scottish Government's Higher Education Governance Bill for the constitution of our Court, its associated Committees and our overall governance arrangements.

Finally I would like to acknowledge the truly incredible contribution to the University of our Senior Governor, Sir Moir Lockhead, who steps down in December 2016. Sir Moir has been a Governor for 14 years and Senior Governor for seven years. His wisdom and advice to the University have been significant in developing the strategies that are enabling us to thrive. I am confident that with a continued appetite to adapt, with the innovative and entrepreneurial attitude of all our staff and with a total commitment to excellence in everything that we do, we will continue to thrive as we have done for over 500 years.

**Professor Sir Ian Diamond FBA FRSE AcSS**



Principal & Vice-Chancellor



*The University has continued to perform well and has made a number of innovations that will set us on a course to a successful future.*



A close-up photograph of two female scientists in a laboratory setting. They are both wearing white lab coats. The scientist on the left is wearing blue nitrile gloves and is holding a petri dish with a yellowish substance inside. Both scientists are looking intently at the petri dish. The background is slightly blurred, showing a typical lab environment.

*Vision*  
***Transforming the  
world with greater  
knowledge and  
learning***

# Strategy at a glance

## Our Mission

- To enrich people's lives through research, teaching, learning and sharing of knowledge to push boundaries and deliver success
- To be one of the world's top seats of teaching and learning, providing a standout personalised student experience of the highest quality in an international context
- To be one of the world's top research-intensive universities, working with partners and stakeholders to undertake rigorous, relevant, impactful and excellent research
- To ensure that social, cultural and economic impact is at the heart of everything we do
- To build an integrated, collaborative and sustainable physical and digital infrastructure to underpin the University's ambition
- To be a progressive university where staff and students thrive within a culture of equality and diversity to enable them to achieve their aspirations

## Our Values

- Innovation and relevance in our education, research and engagement
- Independence and responsibility of thought and action
- Sustainable partnerships with all our stakeholders to drive a culture of inclusion and accessibility
- Respect for all, both within and beyond the University
- An empowered and ambitious University of Aberdeen community where all have an opportunity to thrive

# People



Throughout our long history, the University has produced many famous academics and graduates, and we want to continue to attract and retain ambitious people.

We focus on recognising the successes and achievements of all of our students, staff and alumni. We are committed to the health, safety and wellbeing of our entire community and have made great strides in this last year to promote a people friendly university where all can thrive.

We also want to foster a culture which encourages diversity and drives achievements. To do this, we have established a People Strategy under the leadership of our first Vice-Principal for People, Professor Margaret Ross, who brings extensive experience to the role as a Head of College with a background in the fields of law, mediation and mental health.



As a University we are bronze award holders under the Athena SWAN charter which promotes gender equality, with teams across the University working towards local awards. During the year, our Schools of Psychology and Natural and Computing Science were accredited with bronze Athena SWAN awards for their local achievements against this charter and others are working toward realising that same ambition.

This year, the potential of some of our medical students to pursue outstanding

clinical research careers was recognised with prestigious bursaries. Students in Law and Engineering won awards for their respective work in helping vulnerable women and in reducing harmful vehicle emissions.

The achievements of a number of our academic staff have also been recognised with prestigious awards for chemistry, conservation, and writing. Four professors have been elected to the very prestigious roles of Fellows of the Royal Society and of the British Academy.

## People highlights

- Fellowship success for **Cecile Gubry Rangin** and **Laura Lehtovirta** (Royal Society) and **Jacqui Tweddle** (NERC).

- Professor Dame Anne Glover, Professor Neil Gow and Professor James Prosser were elected as Fellows of the Royal Society - a Fellowship of many of the world's most eminent scientists and the oldest scientific academy in continuous existence.

– Vice-Principal for External Affairs, **Professor Dame Anne Glover** has held roles in the political arena, including the first Chief Scientific Adviser for Scotland and to the President of the European Commission. Her research at the University of Aberdeen is focused on soil microbiology and she has developed techniques to clean up polluted land.



– **Professor Gow's** expertise in fungal biology and medical mycology has led him to develop and nurture the world leading Aberdeen Fungal Group. This group was recently recognised for its excellence with the establishment of an MRC Centre for Medical Mycology – one of the largest centres in this field worldwide.



– **Professor Prosser** has made a significant contribution to our understanding of the diversity and ecosystem function of micro-organisms in natural environments. A major focus of his research is ecology of soil ammonia oxidising bacteria and archaea, which significantly reduce the efficiency of nitrogen fertilisers and generate greenhouse gases.



- Fungal infection expert, **Professor Gordon Brown** – head of the MRC Centre for Medical Mycology at the University - was elected to the prestigious Fellowship of the Academy of Medical Sciences. Professor Brown was elected for his contribution to medical research and healthcare, the generation of new knowledge in medical sciences and its translation into benefits to society.



- Catering assistant, **Mrs Iris Paterson** - known to generations of Aberdeen students as 'Mrs P' - was awarded the British Empire Medal. Mrs P joined the University in 1964, as a 'house table maid' on a three-month post which has lasted 50 years and counting. Mrs P insists she'll 'never retire', saying she 'loves her boys and girls too much'.



- **Professor Stephen Redpath** received the 2016 Marsh Award for Conservation Biology. The award is run in partnership between the Zoological Society of London (ZSL) and the Marsh Christian Trust and recognises an individual for their contribution of fundamental science to the conservation of animal species and habitats. Professor Redpath's research focuses on long-term and large-scale field systems, and uses experiments to tease out the impact of population processes and land use on individual behaviour, populations and communities.

- **Professor Robert Frost** was elected a Fellow of the British Academy. The Academy elects distinguished UK academics as Fellows, in recognition of their outstanding contribution to research spanning the breadth of the humanities and social sciences. Professor Frost is a renowned expert in the history of eastern Europe from the fourteenth to the nineteenth centuries; the history of Scandinavia, and the history of warfare.



- Leading figures from the UK oil and gas industry gathered at the University for a special event to mark **Professor Alex Kemp's** 50 years with the University. Internationally renowned as a leading petro-economist and one of the industry's most respected academic voices, Professor Kemp's career has seen him advise the Scottish and UK Governments, the World Bank, and the United Nations on energy economics.



- Professor Sir Lewis Ritchie, Professor Lora Heisler and Professor Xavier Lambin were named among 56 distinguished individuals elected as Fellows of the Royal Society of Edinburgh (RSE).
  - **Professor Ritchie** is the James Mackenzie Professor of General Practice at the University. His research and development interests include cardiovascular prevention, immunization, ehealth and telecare, and the development of new models of prevention and healthcare delivery.
  - **Professor Lambin** is an internationally recognised ecologist who has made a number of significant contributions to the understanding of processes and patterns underlying the dynamics of animal populations.
  - **Professor Lora Heisler** is Chair in Human Nutrition at the Rowett Institute. Her research looks at the mechanisms underlying the development of obesity and diabetes in an effort to identify new therapeutic interventions.

- Education Lecturer **Neil McLennan** named by Scottish Business News as one of '40 under 40' influential people to watch.

- **Professor Joachim Schaper** elected President of the International Organization for the Study of the Old Testament.

### Equality and Diversity

The University is committed to creating a working and learning environment which is welcoming, accessible and inclusive. Our equality and diversity training ensures that staff have the guidance they need to support this commitment, such as management training in unconscious bias.

We continue to invest in growing female leaders through the Aurora development programme, which was created to help combat the under-representation of women in senior leadership positions within higher education. We celebrated our third annual Women's Day conference, an event which aims to inspire and recognise the achievements of women.

Regular meetings of our staff LGBT, Disability and Senior Female networks aim to develop and continually improve our policy and practice in areas of equality and diversity. The University actively promotes support resources and initiatives to colleagues, such as the staff mentoring scheme which allows individuals to seek help from an experienced colleague outside of the normal line management relationship.

The University, in partnership with other local organisations, proudly supports young people with additional support needs through Project SEARCH. This one year internship programme supports young people with additional learning needs gain skills and experience to go on to employment. All interns are presented with a certificate at the end of their programme.



Jumps 48 places in Stonewall Workplace Equality Index



## Student successes

Students from across the University continue to excel in their disciplines winning awards and gaining recognition as individuals and teams.

### Five medical students win prestigious bursary awards



Five Aberdeen medical students researching areas such as infection prevention, cancer and chronic illness secure prestigious bursaries from the Wolfson Foundation, Pathological Society, the Jean Shanks Foundation and the National Institute of Academic Anaesthesia.

### Aberdeen graduate scoops prize for Social Enterprise



Legal graduate Erika Grant, wins a 'Converge Challenge' award for her work to help vulnerable people in the sex industry. The Converge Challenge recognises excellence in new business.

### Student gets green light to develop new traffic lights system



Marketing Management student Hitmi Al-Hitmi wins a gold medal in the Environment category of the 40th International Exhibition of Inventions and is now working with the Qatari Government to develop a new traffic lights system to reduce traffic build-up and associated CO2 emissions.

### Student makes waves as first female Scottish windsurf champion



Geography student Natalie McWilliams makes windsurfing history by becoming the first female to claim the title of Scottish Windsurf Champion.

### Female powerlifters muscle their way to best in UK and fourth in the world



The University of Aberdeen's female powerlifters retain title as the best in Britain following a record-breaking performance at the Scottish Universities and Colleges Championship. Alice Hogg won Best Female Lifter, with a record 153kg pull.

### Sporting achievements

The facilities offered by our world class Aberdeen Sports Village (ASV) have continued to help improve our students' sporting pedigree. Sports bursar Zoey Clark continued her outstanding form by winning gold for Great Britain & Northern Ireland at the European Athletics Championships in Estonia in July.

The new Aquatic Centre was announced as host of the European Junior Swimming Championships in 2020 – demonstrating the high regard the facility holds across the continent. Our commitment to producing elite swimmers has also been strengthened by the appointment of high performance swim coaches.

Out of the pool, Physiology and French student Emma Lister completed a gruelling 26 mile cross-Channel solo swim in aid of

charity – raising £7,500 for Crohn's and Colitis UK.

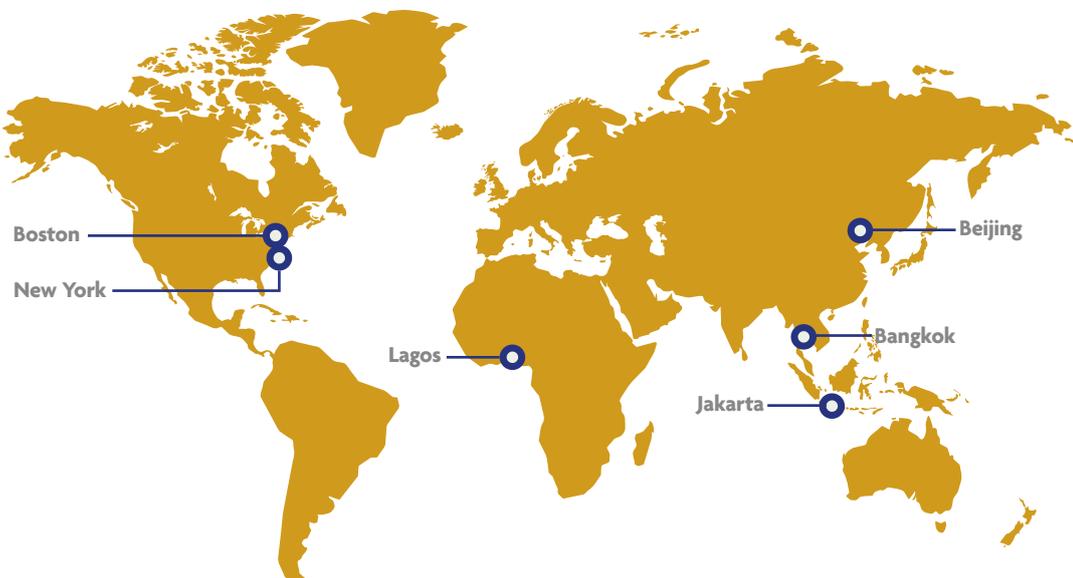
In the world of motor racing, Aberdeen University's own racing car, developed, built and raced by our students in Team Aberdeen, finished first in Scotland and in the top 10 in the UK at the Formula Student competition at Silverstone.



### Alumni

The University has continued to grow a global network of alumni with the aim of keeping graduates connected to the University and their fellow alumni, wherever they are in the world.

### Aberdeen Chapters



Every year 13,000 students come to the University to study. We have created an inclusive environment with courses that respond to their needs and offer the best chance of employment.

For the second year running, our overall student satisfaction has improved. Last year, 88% of our students said they were satisfied with the experience of studying here, a score which is higher than average for comparable institutions (source: Higher Education Statistics Agency).

More students than ever before have graduated with the highest classes of degree. In the last two years, the number of honours graduates with a 2.1 or above has increased from 79% to 82%.

Our most enviable record is on the number of students securing employment or embarking on further study. Despite a very challenging employment market in some sectors, the most recent figures suggest over 96% of graduates had found work or continued with academic study six months after graduation. This places us amongst the top five comparable institutions in the UK (source: Times Higher Education).

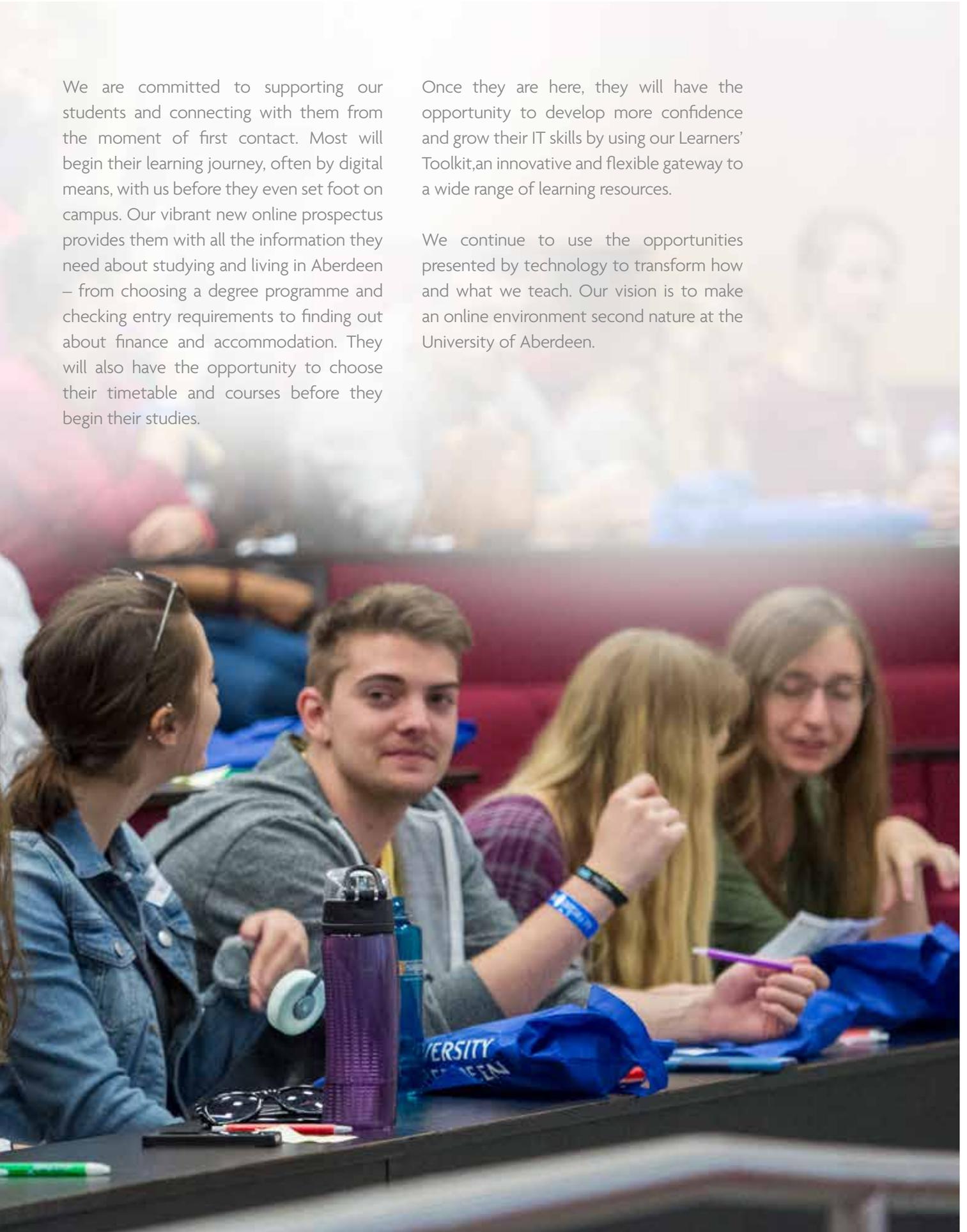


# Teaching and Learning

We are committed to supporting our students and connecting with them from the moment of first contact. Most will begin their learning journey, often by digital means, with us before they even set foot on campus. Our vibrant new online prospectus provides them with all the information they need about studying and living in Aberdeen – from choosing a degree programme and checking entry requirements to finding out about finance and accommodation. They will also have the opportunity to choose their timetable and courses before they begin their studies.

Once they are here, they will have the opportunity to develop more confidence and grow their IT skills by using our Learners' Toolkit, an innovative and flexible gateway to a wide range of learning resources.

We continue to use the opportunities presented by technology to transform how and what we teach. Our vision is to make an online environment second nature at the University of Aberdeen.



## Teaching and Learning Highlights

The University of Aberdeen is ranked in the top 1% of universities worldwide (QS World Rankings 2015). It has students from 133 countries, and offers 900 degree programmes. In terms of graduates, our reach is even bigger with 85,000 graduates in over 170 countries worldwide

The University has maintained a strong position in national and international league tables. We monitor all relevant league tables and ensure we promote the rankings that are relevant to our stakeholder groups.

- In The Complete University Guide rankings 2017, the University of Aberdeen was named first in Scotland for General Engineering, Creative Writing and Land & Property Management.

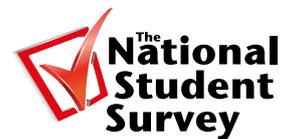


The University featured within the top 200 higher education institutions in the world in the Times Higher Education World University Rankings. We were also recognised for our International Outlook in these rankings falling within the top 45 in the world.



Like most universities, the University of Aberdeen has seen slight fluctuations in rank each year but has largely maintained its overall position. It was placed within the top 150 by the 'QS' World University Rankings.

The exceptional performance of our courses in the National Student Survey was a credit to the institution, with many subjects finishing in first and second place in Scotland.

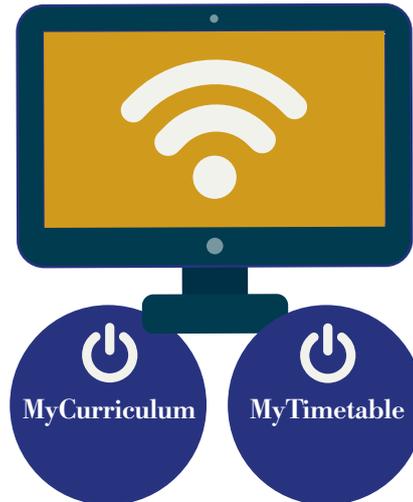


Subject	Aberdeen Position in Scotland	Satisfaction %
Anatomy, Physiology and Pathology	1	100
Comparative Literary studies	1	100
Linguistics	1	100
Pharmacology, Toxicology and Pharmacy	1	100
Physics and Astronomy	1	100
Anthropology	1	98
Molecular Biology, Biophysics and Biochemistry	2	98
Zoology	1	98
Medicine	2	97
Cinematics and Photography	1	95
Microbiology	1	95
Human and Social Geography	2	94
Philosophy	2	93
Genetics	2	92
Physical Geography and Environmental Science	1	92
Chemistry	2	90
Management studies	2	90



### Making digital second nature

Our digital contact with students from the moment they register continues to improve. At the start of the year students can choose their courses from the comfort of their own home, using our interactive course selection system 'MyCurriculum'. Their choices are then converted into our dynamic timetabling system 'MyTimetable' which is available on their smartphone or tablet.



The Learners' Toolkit provides digital support resources to staff and students and was recognised with the Ambo Miro Award 2015 as a 'truly innovative service' in the digital arena.

Our free Massive Open Online Courses make a university education possible for those who would not otherwise be able to benefit from this opportunity. Our first MOOCs, 'Nutrition and Wellbeing' and 'Africa: Sustainable Development for All', proved hugely popular, attracting over 45,000 participants.

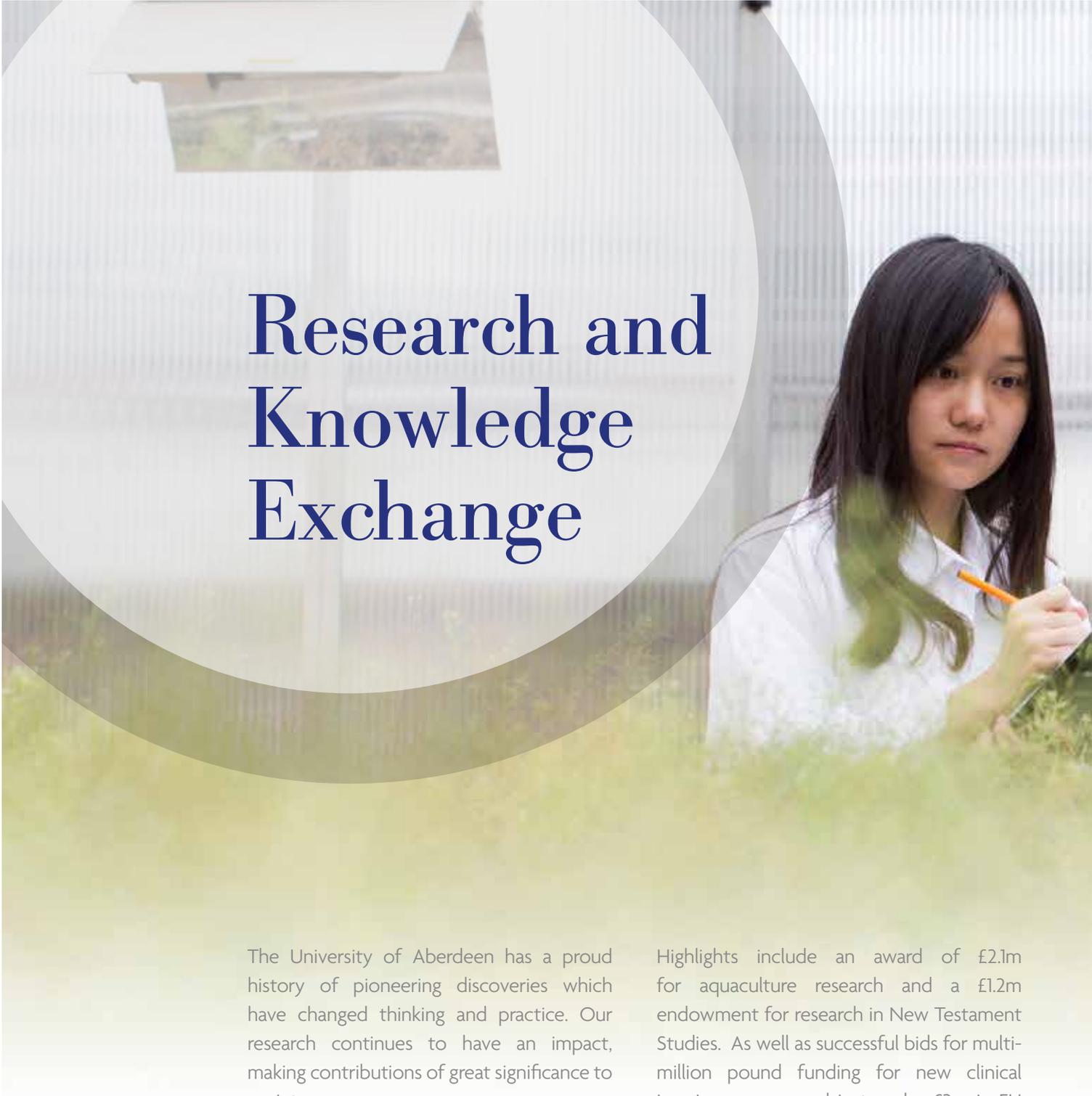
Back on campus, our Schools work continually to improve our courses by enhancing them with technological innovation and e-learning. This year saw the introduction of two digitally enhanced learning spaces allowing the University to provide new methods of teaching in a flexible learning environment.

### Vibrant new accommodation

Our Hillhead student accommodation benefitted from a major renovation, providing our students with a bright new space for study and socialising.

The new facility boasts over 600 bedrooms, as well as an on site café bar, a mini-market, communal kitchen areas and a large social space.





# Research and Knowledge Exchange

The University of Aberdeen has a proud history of pioneering discoveries which have changed thinking and practice. Our research continues to have an impact, making contributions of great significance to society.

Last year our research was amongst the top 20 most cited in the UK. 75% of our assessed research was world leading or internationally excellent (source: Research Excellence Framework results 2014.)

Highlights include an award of £2.1m for aquaculture research and a £1.2m endowment for research in New Testament Studies. As well as successful bids for multi-million pound funding for new clinical imaging, we secured just under €2m in EU funding to help develop higher education in Tanzania. The University has continued to participate in the City Deal, alongside Robert Gordon University, Scottish Enterprise and Opportunity North East, to facilitate engagement with industry and generate economic growth through a number of innovation hubs, including the Oil and Gas Technology Centre.



Research is undertaken in a number of world class research institutes and centres. In March, staff and students at the Rowett Institute moved into their new purpose-built facility. The new building includes a clinical investigation unit, a metabolic research facility and a body composition suite, alongside extensive state-of-the-art laboratories. A key aspect is the specialist human nutrition unit, which offers hotel-style surroundings to volunteers while at the same time providing the facilities we need to undertake scientifically rigorous trials and studies.

The University is proud to be the home of the largest fungal research group in the UK, and to have established the world's first international research centre in South Africa. This year saw the opening of a new Medical Research Council Centre for Medical Mycology, promoting interdisciplinary research and training efforts including work on new treatments for fungal disease.

## Research and Knowledge Exchange Highlights



The University is set to benefit from its involvement in the “City Deal” – a £250 million investment in Aberdeen by the UK and Scottish Governments, which was announced in January. Experts from the University played key roles in advising on important themes such as oil and gas, renewable energy, food and drink, life sciences, and big data. The agreement includes funding for an energy innovation centre in which the University will play

a key role. The development of a high-value strategy for the region, spanning both city universities and industry, will be hugely beneficial in helping it diversify for the future. Our input reflects our world-renowned research strengths and contribution to the innovation landscape within the city and beyond. We will continue to work closely with our public and private sector partners as part of this ongoing effort.



Professor John Swinton presented with the 2016 Michael Ramsey Prize (the ‘Man Booker of theology’) by the Archbishop of Canterbury.

Aberdeen scientists investigating the little understood senses of touch and movement made a breakthrough that could eventually benefit people with movement disorders, spinal injuries, high blood pressure and even improve the design of robotics and prosthetics.

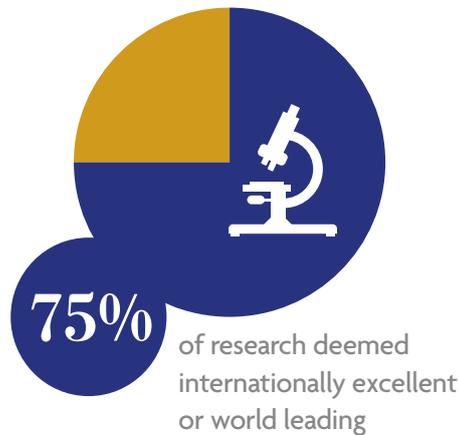


451 Principal  
investigators and  
co-investigators

595  
new awards

value  
£56.6m

- University part of a partnership to explore whether mindfulness can help those struggling to manage their diabetes
- Pre-clinical research from Aberdeen shows drugs used to treat diabetes could also be used to treat Alzheimer's disease, and vice versa
- Aberdeen part of an international collaboration of scientists which carried out a large scale study looking at whether the use of antithrombotic drugs such as aspirin and warfarin prior to a stroke leads to a better outcome
- New Aberdeen research shows anaemia, a lack of red blood cells, may be linked to a higher risk of death in older adults after suffering a stroke
- Experts at the University of Aberdeen are leading the development of next-generation MRI scanners with a European Union Horizon 2020 research grant of €6.6M
- Awards from European Commission, total £4.8m including £2.4m Horizon 2020 and £1.1m ERASMUS+



**Engagement:**

**Explorathon and May Festival**

Our 'Explorathon' brought together 17,000 members of the public and 800 researchers with a day of shows, talks, activities and even comedy. It won the Association of Research Managers and Administrators (ARMA) Award for Outstanding Collaboration. Meanwhile, the May Festival welcomed over 13,000 people to 150 events hosted by the likes of sports pundit Pat Nevin, actress and comedienne Elaine C Smith and The One Show's science expert, Marty Jopson.



## Research and Knowledge Exchange Highlights (continued)

University's fungal research group officially recognised with MRC status



Aberdeen researchers part of team which finds strong evidence that singing benefits the speech of people with Parkinson's disease.

University benefits from **£1.2m** endowment



by the Kirby Laing Foundation to fund postdoctoral research in New Testament Studies



Our research continues to result in innovative technologies. Last year there were seven new patent applications, thirteen licences to industry and two new biomedical spin out companies: Elasmogen and Islexa. Twenty-five disclosures were made to register intellectual property formally – the first step towards commercialising our work.

The University is part of a UK-wide clinical trial to examine whether a commonly used heart pill and a food supplement could improve the health of older people across the UK by improving muscle strength.





The rich history of the Isle of Iona has been brought to life for school children around the world through an interactive free video game developed by the University with funding from the Iona Cathedral Trust.



Nan Shepherd, one of the first women to graduate from the University, features on a new banknote while Lord Boyd Orr, founder of the Rowett Institute, appeared on a Royal Mail stamp.



University spin outs NovaBiotics and Ripptide Pharma Ltd awarded “Investment of the Year” and “Innovation of the Year” awards respectively at 16th Annual Scottish Enterprise Life Science Awards



Aberdeen Fungal Group showcases their research at the Royal Society Summer Exhibition 2016

## Strategic Plan

The Strategic Plan for 2015-20 set out an ambitious programme for this five year period. The Plan focuses on providing the best education experience in three key ways: By helping every student and staff member to realise their potential in an environment which is inclusive and supportive; by providing an outstanding educational environment based on partnership and global outlook; and by strengthening our position as a research intensive university.

Our Strategic Plan for this five-year period is ambitious, seeking to increase efficiencies and grow revenue, while at the same time achieving stretching goals which will transform the University. As part of the Plan and in an effort to focus our strategic activities, the University introduced a devolved budgetary structure to give our Academic Schools more freedom to shape the University. In 2015/16, the University also undertook a comprehensive review of professional services across the institution which has identified approximately £3 million of savings, whilst retaining high quality support to Schools. Staff were invited to share comments, observations, suggestions, proposals and concerns and a number of open sessions helped to inform the outcomes of the review. The review

has successfully focused our institutional activities to ensure that we are working as efficiently as possible to achieve the vision set out in our Strategic Plan.

The University is pleased that to date, and in spite of the challenging external financial climate, good progress has been made towards meeting our targets as set out in our Plan. In particular, at this early stage in the planning period progress made in growing research income from international sources and in increasing student satisfaction as measured by the National Student Survey (NSS), has been particularly encouraging.

We have an outstanding track record of research success in disciplines linked to major drivers of the Scottish economy, particularly energy, medical sciences, biotechnology, food and drink, and financial services. During our planning period we aim to strengthen further these and other areas to make Aberdeen one of the world's top research-intensive universities, and to do so while maintaining a strong sustainable financial footing with the room to invest and grow. The table summarises the key KPIs and targets set for the planning period.



Key KPIs and targets for the five year period currently being monitored are set out below along with an indication of progress to date:

KPI	2020 Targets	Current Red, Amber, Green rating
<b>Institutional Profile and International Market Position</b> Enhance the reputation and standing of the University globally	Enhance position in international league table rankings	Amber 
	Increase percentage of non-UK students on Aberdeen campus	Amber 
	Increase research income from international sources	Green 
<b>The Student Experience and Teaching and Learning</b> Provide all of our students with an excellent and flexible education experience	Maintain levels of Home/EU students	Amber-Green 
	Maintain levels of RUK students	Amber 
	Decrease non-continuation into year two of study	Green 
	Increase student satisfaction with teaching, assessment and feedback	Green 
	Increase number of Aberdeen graduates going on to graduate-level employment or further study	Amber-Green 
	Increase proportion of students achieving a first class or upper second class degree from Aberdeen	Amber-Green 
<b>Research</b> Improve our research performance and standing in terms of income, outputs and impact	Increase Grant income per FTE	Amber-Green 
	REF preparedness by REF submission date: <ul style="list-style-type: none"> <li>all research active staff to have at least two internationally excellent outputs</li> <li>all Units of Assessment to have sufficient high-quality impact case studies</li> </ul>	Green 
	Increase PGR student numbers per FTE	Green 
<b>Financial health</b> Deliver financial sustainability to invest in: improved academic performance, both research and teaching; our estate, facilities and infrastructure; and our excellent professional services	Generate a surplus from operating activities (before any profit from sale of assets and before taxation) of at least 3.0% of income, with the target increasing to 5% in the medium term.	Amber 
<b>Equality and Diversity</b> Be recognised by our staff and students as a University which actively promotes and fosters an inclusive culture which supports them to reach their potential	Achieve Athena SWAN institutional Silver award by 2018 and increase the number of individual Schools which hold Athena SWAN awards	Green 
	100% of staff to have undertaken mandatory Equality and Diversity training in preceding two years	Amber 

Throughout the year, we've continued to invest in our buildings and facilities to the benefit of our staff, students and the wider community.

We opened the first commercial 'Passivhaus' building in Scotland, in the form of our new children's nursery. Through clever design, 'Passivhaus' buildings consume very little energy for heating or cooling, for example by recycling rainwater and grey water for

the toilets. The £1.8m nursery, which opened in August 2015, helps students and staff balance the demands of being a parent with their work at the University.

A team from the Rowett Institute, working with the Universities of Cambridge and Michigan, published research findings which could lead to a difference in the way obesity is treated in women compared to men. Their research suggests it is easier for women to gain weight because female brains influence the way the body uses calories differently, paving the way for a new generation of appetite suppressants especially for women.



## Achievements and Impact

In research publicised by the UK's biggest national newspapers, geologists from the University were part of a team of international researchers who measured the air breathed by Earth's first animals. The discovery of an atmospheric 'time capsule' occurred when they analysed samples of halite – or rock salt – which were 815 million years old.

News that a book by an Aberdeen historian is to be turned into a major television series attracted widespread coverage in the UK and Europe. Hitler's First War, by Professor Thomas Weber, will be dramatised for an international audience. The announcement was covered by media outlets including BBC News online, the Daily Express, Daily Record, The Herald, and even the Hollywood Reporter.

A research grant of £6.6 million is funding the development of the next generation of MRI scanners. The first clinical MRI (Magnetic Resonance Imaging) was built at the University 35 years ago and has since become an essential diagnostic tool. The

European Union Horizon 2020 grant will help experts at the University develop the body scans of the future.

The University has also benefitted from a share of a package of measures announced by the Prime Minister to support the UK oil and gas industry. A £250,000 grant from the Oil and Gas Authority will fund investigations into the potential for hydrocarbon exploration in the Rockall area of the North Atlantic. This could be an important boost for future reserves in the United Kingdom Continental Shelf.

Our students' remarkable achievements continue to inspire, and for one in particular, this has been a year of triumph over adversity. Geography student Natalie McWilliams made windsurfing history by becoming the first female to claim the title of Scottish Windsurf Champion. Natalie had been told she would never surf again following an accident in which she was picked up by a freak gust of wind. Her story is inspirational and we wish her the best of success with future competitions.



# Risk Management



## Risk Management

In pursuing its key strategic aims and objectives, to achieve excellence in teaching, learning and research, the University will inevitably undertake activities which incur a level of risk. The way in which these risks are managed is fundamental to our success. Effective risk management will both reduce the likelihood that risks are realised, and their impact in the event that they are.

### Risk Management at Aberdeen

The management of risk at the University of Aberdeen is undertaken as part of the Risk Management Framework which conforms to globally recognised standards in risk management, and widely accepted best practice. The Risk Management Framework is part of the wider institutional corporate governance structure, and includes an

institutional Risk Management Policy, a University Statement on Risk Appetite, and a detailed Risk Management Process which prescribes methods for risk identification, monitoring and control, and arrangements for assurance.

### Risk Management Structures

The University has in place a Strategic Risk Register, designed to underpin areas of strategic importance, and to facilitate delivery of linked objectives at institutional level, based on the University's Strategic Plan 2015-20. These are managed institutionally, with overarching accountability assigned to the University Court. Court receives bi-annual reports on progress made with the management of risk at this level and the process is subject to objective scrutiny by the Audit Committee, as part of wider corporate governance, best practice arrangements.



The risks management process also cascades down and across the institution, to Schools, Professional Services and capital projects, where it is a key tool used as part of an established management protocol.

**Risk Management Processes**

The University’s Risk Management Process is based on an overarching, logical, step-by-step approach, designed to ensure that risks are effectively managed, as part of an unending, cyclical process. This process is simple but effective and implemented at all levels.



**Risk Appetite**

The University accepts that it must take risks, to some extent, in order to achieve its key aims and objectives, and to realise expected benefits. The University acknowledges that the level of exposure carried by different activities will vary, and its tolerance for accepting varying levels of risk will change depending on the risk area under consideration, the specific objectives involved, the subsequent activities undertaken, and the projected benefits. Consequently, the University defines its appetite for risk in general terms as moderate to open, while accepting that appetite will change according to context.

**Risk Register**

The University has recently simplified and clarified the Risk Register and has identified ten key strategic risk areas. These are monitored on a regular basis.

Strategic Risk Areas
Equality and Diversity
Financial Sustainability
Governance and Core Business Risks
Health and Safety
Infrastructure Sustainability
Internationalisation
Research Performance and Impact
Staff Recruitment and Retention
Student Experience
Student Recruitment

The table below shows the risk score for each of the ten strategic risks at the time of writing in the context of estimated likelihood and impact.

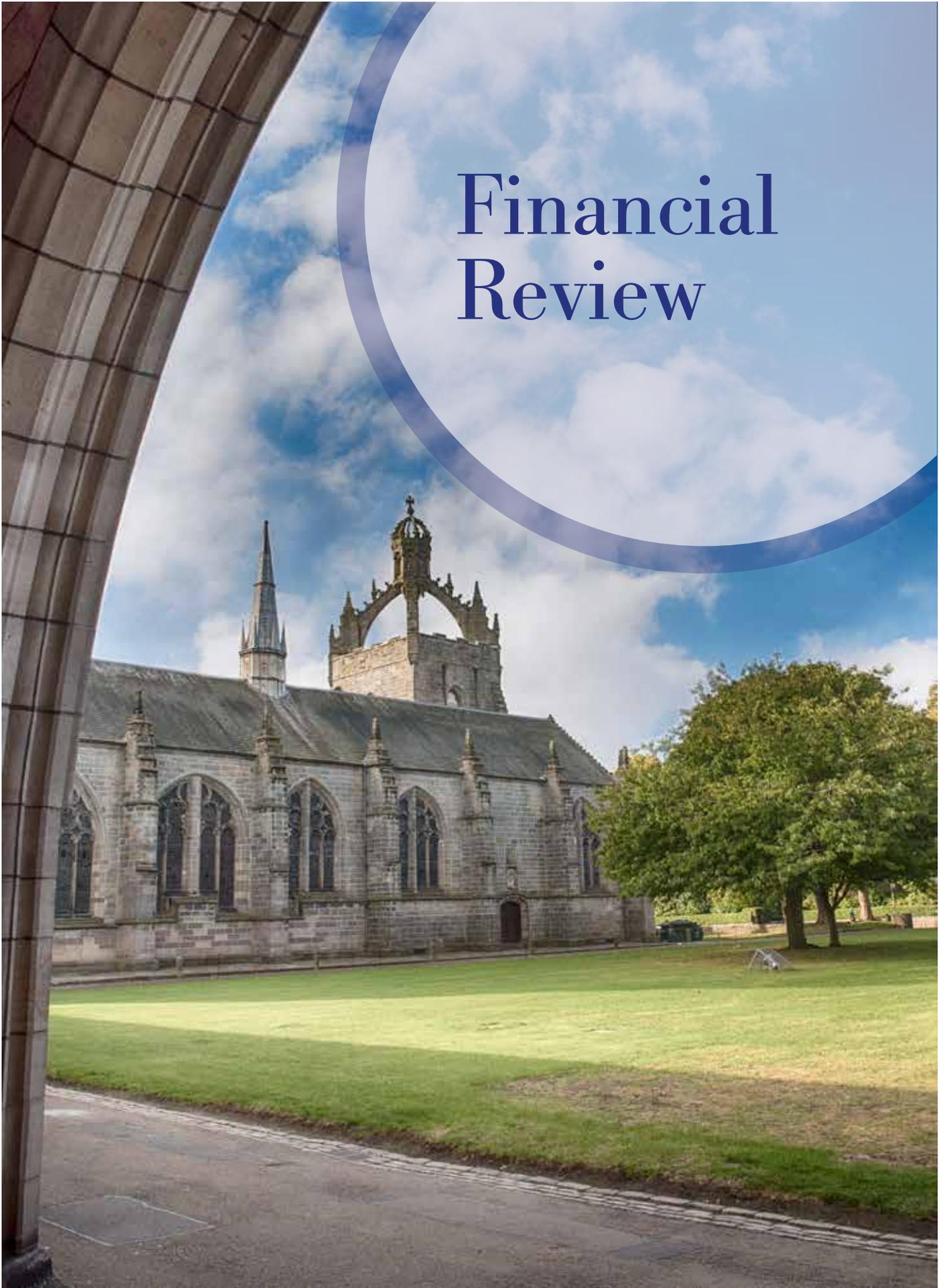
		Impact 					
		6	12	18	24	30	36
		5	10	15	20	25 Internationalisation Student Recruitment	30
		4	8	12	16 Infrastructure Sustainability Research Performance and Impact	20	24
 Likelihood	3	6	9 Governance and Core Business	12 Equality & Diversity Staff Recruitment & Retention Student Experience	15	18 Financial Sustainability	
	2	4	6	8	10 Health and Safety	12	
	1	2	3	4	5	6	

As can be seen from the table, the three key risks facing the University at present are in the areas of: Student recruitment; internationalisation; and financial sustainability.

The table below provides detail on each of these three risks, their background, reasons for the high score and mitigating actions.

Strategic Risk Area	Risk Description	Mitigating actions
<b>Financial Sustainability</b>	This risk area focuses on threats to the long term financial sustainability of the institution, including the University’s ability to meet the annual surplus target, generating sufficient cash to fund capital investment, and ensuring that the University has adequate cash holdings in place to meet operational requirements. This risk is currently scored at 18, on the tolerance threshold, due to ongoing uncertainty within the financial environment, linked to student-based income, SFC funding, the potential impact of Brexit, and external factors outwith University control.	<ul style="list-style-type: none"> <li>Finalisation of 10-year capital plan</li> <li>Full appraisal of the external funding environment</li> <li>Full appraisal of potential impact of Brexit</li> </ul>
<b>Internationalisation</b>	This includes threats to the University’s internationalisation objectives, and is spread over a number of key business functions, including: international student recruitment and targets for growth; student-focused international partnerships; international student experience; international University profile; international research networks; links with international alumni; and, international staff mobility. This risk has exceeded the tolerance threshold as a consequence of the University failing to meet its international student recruitment targets, notably for PGTs.	<ul style="list-style-type: none"> <li>Continue efforts to build new markets</li> <li>Continue activity in existing markets</li> <li>Review of PGT portfolio</li> </ul>
<b>Student Recruitment</b>	This risk area focuses on key threats to the University’s ability to meet its student recruitment targets. These are linked to: home fees population; filling funded student places; the danger of over-recruiting; failure to maintain tuition fee income via RUK students and also failure to grow PGR numbers. This risk has exceeded the tolerance threshold largely because student recruitment at PGT and PGR level has not been in line with expectations. In addition, there is increased uncertainty on the potential impact of Brexit on student recruitment, notably for Home/EU.	<ul style="list-style-type: none"> <li>Review of PGT portfolio</li> <li>Review of recruitment strategies for relevant student categories</li> <li>Appraisal of potential impact of Brexit</li> </ul>

# Financial Review



## Financial Review - Year ended 31 July 2016

### Scope of the Financial Statements

The Financial Statements, which have been approved by Court, have been prepared on a consolidated basis and represent the consolidated results of the University and its subsidiary, the Rowett Research Institute Ltd (The Group). The Group's statements comply with the new Financial Reporting Standard (FRS) 102 and the Statement of Accounting Practice (SORP) Accounting for Further and Higher Education 2015.

The results for the year were presented for the first time under FRS102, in line with all higher education entities reporting under the new SORP. FRS102 is a single set of accounting standards developed by the Financial Reporting Council (FRC) that has replaced existing UK GAAP (Generally Accepted Accounting Principles).

The revised accounting standards not only change the layout of the primary financial statements, they also introduce a number of fundamental changes to accounting treatment. Changes include the items to be accounted for in calculating the annual surplus/deficit, income recognition, treatment of capital grants, recognition of pension liabilities and accounting for employee benefits. Comparative financial information has been restated. Further details of the changes to accounting treatment and a reconciliation to the previously reported 2014/15 surplus is provided in note 31 to the financial statements.

### Results for the year

The Group's reported results for the year are:

	2016 £000	2015 £000
Income	229,962	229,581
Expenditure	234,533	251,758
<b>(Deficit) before other gains and losses</b>	<b>(4,571)</b>	<b>(22,177)</b>
Other gains/(losses)	5,025	8,827
Taxation	(495)	(568)
Actuarial loss in respect of pension schemes	(7,408)	(1,046)
<b>Comprehensive deficit for the year</b>	<b>(7,449)</b>	<b>(14,964)</b>

Despite returning an overall deficit, once adjusting for individually significant items, it is clear that the University remains in a healthy financial position.

	2016 £000	2015 £000
(Deficit) before other gains and losses	(4,571)	(22,177)
Voluntary severance and early retirement scheme	3,783	3,481
Pension provision adjustments	148	14,836
Research and development expenditure credit claim	(2,180)	(1,060)
Impairments	3,136	1,434
Underlying surplus/(deficit) on operating activities	316	(3,486)

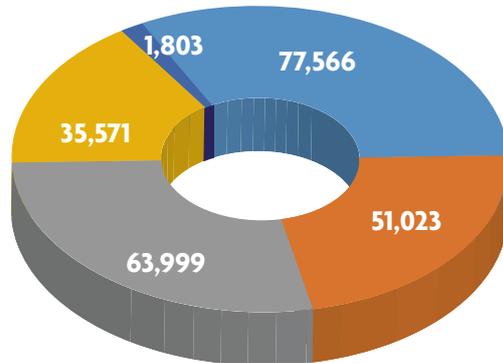
Taking account of these items, the underlying surplus on operating activities is £0.3m compared with a deficit of £3.5m in 2015, with the movement resulting from savings from the prior year's voluntary severance scheme. The large movement for the pension provision adjustments is due to the updated triennial valuation for the Universities Superannuation Scheme (USS) taking effect in the year to 31 July 2015.

*Liquidity has improved during the year with cash balances increasing by £13.8m*

*The Rowett Research Institute disposed of part of its existing Bucksburn site resulting in a gain of £4.3m.*

Liquidity has improved during the year with cash balances increasing by £13.8m and our Balance Sheet remains strong with total net assets of £369m.

**£000**  
**Income - £229,962**



- Funding body grants
- Tuition fees and educational contracts
- Research grants and contracts
- Other income
- Endowments, donation and investment income

Income for the year has increased slightly by £0.4m to £230m.

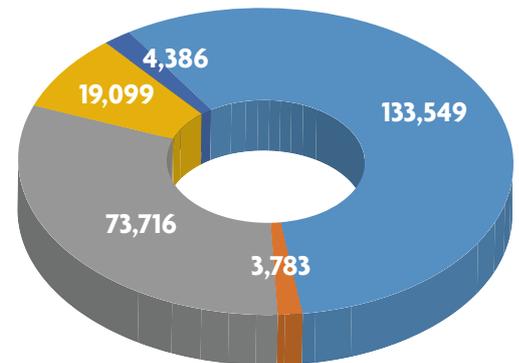
Tuition fees have increased by £4.2m to £51.0m, an increase of 9% compared with the prior year with strong growth in RUK fees £1.4m and Non-EU fees of £1.9m.

Funding Body grants have decreased by £2.7m to £77.6m, with a reduction in funding for teaching of 2.2% (£1.1m) and research of 6.5% (£1.6m). Other funding streams remained largely unchanged.

Research grants and contracts income of £64m increased by £1.5m (2.4%) from £62.5m in the previous year, with the largest movements reported against other overseas grants (£1m) and other sources (£1m). Research income includes £2.7m in respect of the Research and Development Expenditure Credit (2015: £1.6m).

Other income has reduced by £2.5m to £35.6m. The major causes for this are a £0.6m (3.9%) reduction mainly in residences income and a reduction of £1.3m in deferred capital grants released.

**£000**  
**Expenditure - £234,533**



- Staff costs
- Restructuring
- Operating costs
- Depreciation
- Finance costs

Total expenditure decreased by £17.2m or 6.8% to £234.5m.

Annual staff costs decreased by £22.2m, mainly due to a lower movement in pension schemes liabilities, with a credit of £1.7m for the year to 31 July 2016 compared with a £13.3m charge in the prior year. Further savings are a consequence of the early retirement and voluntary service schemes that were launched in the prior year, with recurrent savings of £6m increasing to £7.5m from financial year 2016/17. Staff costs, excluding pension liability movements now represent 59% of turnover, a reduction of 3% from the prior year.

During the year a further £2.5m was incurred on the early retirement and voluntary severance schemes launched in the previous year. In addition, Court approved a further scheme specifically for the School of Medicine, Medical Sciences and Nutrition as part of the School's ongoing recovery plan. A

further £1.25m was provided for this scheme which is anticipated to result in recurrent annual savings of £1.5m.

Other expenditure increased by £3.5m or 4.9% during the year.

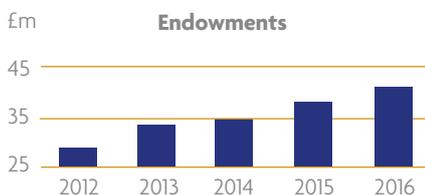
Depreciation charges increased from £18.0m to £19.1m mainly due to the opening of the Rowett Institute building on our Foresterhill Campus and the new nursery facility in Old Aberdeen.

### Other gains and losses

In July 2016, following the opening of a new purpose built research facility at Foresterhill, the Rowett Research Institute disposed of part of its existing Bucksburn site resulting in a gain of £4.3m.

The downturn in the Aberdeen housing market has resulted in a £2.6m reduction in the value of our investment properties.

Our non-current investment portfolios, including endowments, appreciated by £3.4m during the year. The majority of the increase resulted from the fall in the value of sterling against the euro and dollar, after the Brexit vote and the resultant increase in the sterling value of our European-based investments.



### Loss in respect of pension schemes

The majority of the £7.4m loss (2015: £1.0m) is attributed to changes in the actuarial assumptions in the valuation of the University of Aberdeen Superannuation and Life Assurance Scheme.

### Cash flows

The Group generated a cash inflow of £18.9m from operating activities during the year, an increase of £14.7m from the £4.2m reported for 2014/15. Having taken account of capital investment, receipts from the sale of assets, investment income and financing activities the overall group cash inflow was £13.8m compared with a £9.1m outflow in the prior year. The Group received proceeds of £11.3m from the sale of part of the Bucksburn site.

### Capital projects

Investment on capital projects during the year of £18.4m was concentrated on the completion of existing projects. The new Rowett Institute of Nutrition and Health building was completed during the year at a total cost of £40.0m, with £5.9m incurred during the year. A further £3.5m was invested to improve the facilities at our student accommodation based at Hillhead. The implementation of OneSource, our integrated corporate system, continues with a further £1.4m of expenditure predominantly on the HR/Payroll and Student modules. The University also has a recurrent capital fund to enhance our information technology with £2m of spend on improvements to infrastructure and improved technology.

### Treasury management

#### Borrowing

We currently have an agreed £40m loan facility with Barclays Bank Plc, the facility has been fully drawn down and has been used to fund our capital investment. The facility has been utilised over a period of time with the initial drawn down in April 2007 and the final instalment of £10.4m utilised in April 2015. Repayments are due in four payments of £10m, in September 2021, 2026, 2031 and 2036 respectively. The University is required to comply with a net cash flow to interest financial covenant with effect from 2017, the tenth anniversary of the facility agreement.



*The new Rowett Institute of Nutrition and Health building was completed at a total cost of £40m*

In addition the University has entered into finance leases for halls of residence, with £3.2m repayable to British Linen Leasing Ltd by 2018 and a further £28.6m to Prudential Ltd in an agreement expiring in 2037.

#### **Payment of creditors**

The University has no single policy for payment of creditors but agrees to abide by arrangements negotiated with its suppliers. No interest was paid in the year under the Late Payments of Commercial Debts (Interest) Act.

#### **Balance sheet**

##### **Non-current assets**

Non-current assets have reduced by £2.8m to £623.5m during the year, largely due to the land disposals, the reduction in value of investment properties and £1.5m impairment of fixed assets.

##### **Net current liabilities**

Net current liabilities excluding debtors over one year have decreased from £28.5m to £18.1m during the year.

As a result of the new SORP net current liabilities at 31 July 2016 include deferred capital grants of £3.1m (2015: £3.0m) and the estimated costs of untaken annual leave of £4.8m (2015: £5.0m).

Forecasts show cash flows are sufficient to meet future obligations.

#### **Long-term creditors**

Long term creditors have reduced by £1.9m to £165.2m during the year. The creditors comprise of the loans of £40.1m and finance lease obligations of £30.1m as well as £95.0m of deferred income in respect of capital grants from government organisations.

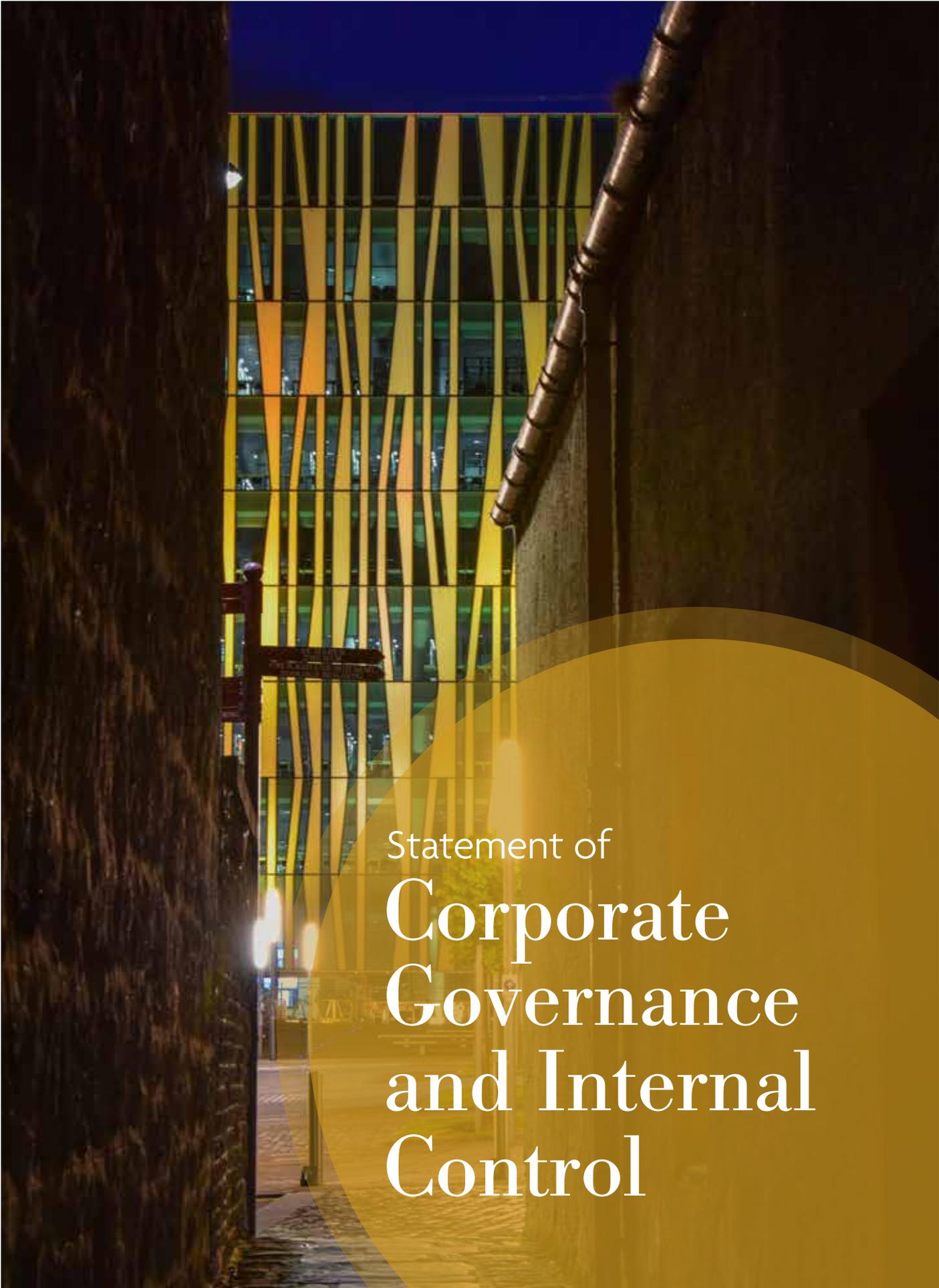
#### **Provisions**

Pension provisions have increased by £7.5m to £70.0m during the year. The provisions cover the discounted fair value of the contractual contributions of £26.8m (2015: £28.5m) for the Universities Superannuation Scheme (USS), and a further £39.1m (2015: £29.8m) in respect of the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS) and the Strathclyde Pension Fund (SPF). A further £4.1m (2015: £4.2m) has been provided against the payment of enhanced pensions to a number of former Northern College employees.

#### **Financial outlook**

The financial environment for HE institutions remains challenging with the ongoing cuts to public expenditure, increasing competition, both national and internationally and the as yet unknown implications arising from the “Brexit” vote. The University must continue to grow existing income streams and to identify new and creative partnerships to produce additional income generating opportunities. This has to be aligned with continued scrutiny of our cost base, seeking out efficiencies and ensuring we maximise the return on our asset base.





Statement of  
**Corporate  
Governance  
and Internal  
Control**



*The University was formed by Royal Charter on 10 February 1495 and is one of the four Scottish Ancients*

## Statement of Corporate Governance and Internal Control

The University of Aberdeen is committed to high standards of corporate governance relevant to the higher education sector. This summary describes the manner in which the University has applied the principles set out in the Scottish Code of Good Higher Education Governance (published July 2013). Its purpose is to help the reader of the financial statements understand how the principles have been applied, and to set out the basis for Court's opinion that the University has, insofar as is appropriate and permissible under its constitutional basis, complied with the Code during the year ended 31 July 2016.

### **Constitution, Governance and Regulation**

The University was formed by Royal Charter on 10 February 1495 and is one of the four Scottish Ancients. The University Court of the University of Aberdeen is a body corporate with perpetual succession and a common seal. The University derives its status, powers and framework of governance from the Universities (Scotland) Acts 1858-1966 and by the Ordinances, made under these Acts, and Resolutions of Court. Court is the executive governing body of the University and is responsible for its mission and strategic direction, administrative arrangements, financial health, well-being of staff and students and, in association with the Senate, for establishing and maintaining high standards of academic conduct and probity.

The Universities (Scotland) Acts define the powers of the University Court, the Senate and the General Council, each of which has clear functions and responsibilities within

the governance and management of the University's business. The University Court is charged with the administration and management of the revenue and property of the University, and has the power to review any decision of the Senate on appeal. It is responsible for the University's system of internal control and for reviewing its effectiveness. The Senate, which consists of ex officio and elected academic staff and students, is responsible for the regulation and superintendence of teaching and student discipline and for promoting research. The General Council was established by the Universities (Scotland) Act 1858 with the right to take into consideration questions affecting the well-being and prosperity of the University. Graduates of the University and certain categories of University staff are automatically members of the General Council.

The University is an exempt charity by virtue of the Charities and Trustee Investment (Scotland) Act 2005, and is registered with the Office of the Scottish Charity Regulator under number SC013683.

The University is regulated principally by the Scottish Funding Council under a Financial Memorandum. The University complies with conditions of the grant set out in the funding arrangements. The Scottish Funding Council has developed Outcome Agreements with each University to ensure that institutions are working in support of the Scottish Government's priorities. We are required to report regularly on our performance against agreed outcomes, to ensure that we continue to meet conditions of grant.

## Governing Body

In accordance with the provisions of the Universities (Scotland) Acts and the Ordinances made by Court, the composition of Court is currently 28 members. The membership of Court during 2015/16 is listed at page 52. Following a review of its governance arrangements against the new Scottish Code of Good Higher Education Governance, Court had agreed to seek Privy Council approval for a reduction in the size of Court to 25 members and to guarantee a majority of independent members as recommended by the Code. In June 2015, however, the Scottish Government published a Bill on Higher Education Governance which included proposals that would change the composition of university governing bodies. Court therefore agreed not to pursue changes to its composition until such time as any future legislative requirements were confirmed. Following the passing by Parliament of the Higher Education Governance (Scotland) Act in March 2016, Court has commenced a review of its composition to ensure it is compliant with both the Act's requirements and those of the Code.

The University Court in 2015/16 had a majority of independent members including Assessors elected by the General Council, appointed by Aberdeen City and Aberdeenshire Councils, by the Chancellor and by the Rector, as well as co-opted members appointed directly by Court. Senate Assessors are elected by the Senate and there is provision for at least one student member. The Rector is elected by the student body and is the ordinary president of Court. The current Rector has opted to exercise the right to preside. Court recognises that the statutory position of

the Rector as the ordinary president is not consistent with the description of the role of the Chair contained in the Scottish Code of Good Higher Education Governance. However, Court appoints a Senior Governor, who currently performs the wider role of Chairman and who represents the University at meetings of the Committee of Scottish Chairs and internally to act as the leading Governor in matters of governance and management. The role of the Senior Governor in this regard is recognised by the Scottish Funding Council, and Court has adopted a Rector's Protocol to define the respective roles of Rector and Senior Governor.



*The Rector is elected by the student body and is the ordinary president of the Court*





*Members of Court are invited and encouraged at regular intervals to participate in governor development events*

Court has adopted a Statement of Primary Responsibilities and routinely undertakes a wide-ranging review of its effectiveness against sector guidance. Following the publication in 2013 of the Scottish Code of Good Higher Education Governance, Court reviewed its governance arrangements in depth and agreed a number of revisions to comply with the principles of the Code. During 2015/16, following the passing of the Higher Education Governance (Scotland) Act Court approved the scope of an externally facilitated review of effectiveness which will be undertaken in 2016/17.

The University maintains a Register of Interests of members of Court and of members of senior management, which is available for public consultation. In addition, individuals are routinely asked to declare any interest in relation to a Court and Committee agenda item and any significant change to the external commitments of the Senior Governor would be reported to the Governance and Nominations Committee.

Members of Court are invited and encouraged at regular intervals to participate in governor development events organised by the Leadership Foundation for Higher Education.

### **Corporate strategy**

Court is responsible for approving the University's Strategic Plan. The Financial Review on pages 34 to 38 reports on the University's strategic performance during 2015/16, progress against Strategic targets is provided on page 27.

### **Key Committees of Court**

Court has four meetings each year, but much of its detailed work is addressed in the first instance by Committees, in particular, the Operating Board, the Audit, the Governance and Nominations, and the Remuneration Committees. All of these Committees are formally constituted with terms of reference available on the University website. The membership of these key Committees during 2015/16 is listed at page 52. Where appropriate, these Committees have delegated authority from Court to take decisions on certain matters and major decisions are formally reported to Court. Similarly, when Court delegates power to the Principal with at least one other senior member of Court to take decisions between meetings, such decisions are formally reported to Court.



In respect of its strategic and development responsibilities, Court receives recommendations and advice from the Operating Board, a committee of Court. The Operating Board's composition includes four lay members, appointed by Court from amongst its members. The Operating Board inter alia recommends to Court the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Strategic Business Ventures Group is a sub-committee of the Operating Board and contains lay representation. It oversees, monitors and co-ordinates activities in support of the University's spin-out and subsidiary companies and advises on risk management and decisions regarding company creation and the sale of equity in spin-out or subsidiary companies.

The Governance and Nominations Committee has a standing role to advise Court on matters of governance and to conduct on its behalf, reviews of the University's governance. The Committee undertakes a review of effectiveness annually through benchmarking against the Scottish Code of Good HE Governance and through an annual appraisal questionnaire of governors. The Committee also has responsibility for considering nominations for vacancies in Court membership and vacancies in the membership of Court sub-committees. The Committee is not chaired by the Senior Governor but by another independent member of Court, which reflects the remit and role of the Committee extending beyond that of a nominations committee into matters of governance and which also enables the Convener of the Committee to undertake when required, the role of independent intermediary described in the Scottish Code of Good HE

Governance. The Committee is cognisant of the need for Court to have in its membership an appropriate mix of skills, experience and diversity. Court has adopted a Statement of Intent on Diversity within its membership, which includes a goal of achieving and maintaining female representation of a minimum of 25%, with aspirations to achieve 50% over the longer term. The University has implemented steps to ensure that the electoral processes and appointing bodies for other members of Court also take these considerations into account insofar as such appointment processes can allow. Vacancies for co-opted independent members are publicly advertised.

The Remuneration Committee determines the remuneration and conditions of service of the most senior staff, including the Principal. The Committee is chaired by the Senior Governor, has a majority of independent members but also includes a non-executive staff member of Court and the President of the Students' Association. Where appropriate, the Committee obtains further independent advice. It meets at least



twice annually and reports to Court at least once a year.

### **Audit, risk management and internal control**

The Audit Committee, which has a predominantly lay membership, includes members with directly relevant experience, and is chaired by an independent member

the improvement of the University's systems of internal control and risk management, together with University management's responses and implementation plans. The Audit Committee's role is one of high level review of the arrangements for internal control, risk management and value for money. It has authority to investigate any matters within its terms of reference. It



*The Audit Committee's role is one of high level review of the arrangements for internal control, risk management and value for money.*

of Court. It meets five times a year, with the University's internal and external auditors in attendance at all meetings. The Audit Committee oversees and reports to Court its view of, the effectiveness of the University's risk management arrangements, the operation of which is overseen by the University Management Group but with Risk being a regular item on the Audit Committee agenda.

Court sets and approves annually the University's risk appetite, and routinely reviews the Corporate Register of Strategic Risks.

The Audit Committee considers detailed reports from the internal and external auditors, together with recommendations for

also receives and considers reports from the Scottish Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. While senior executives attend meetings of the Audit Committee, as necessary, they are not members of the Committee. Each meeting commences with a presentation on a key University business development or new legislation.

Court is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks up to the date of approval of the annual reports and accounts. This process has been formalised to accord with the internal control guidance for directors in the UK Corporate

Code. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or financial loss. This process is regularly reviewed by the governing body and accords with the internal control guidance as applicable to the higher education sector.

The University fully endorses the provisions of the Scottish Funding Council's Financial Memorandum. The University retains an external firm of Internal Auditors appointed at least every five years through a competitive tendering process. The University last undertook such a tendering process during 2013/14 as a result of which it appointed a new firm of Internal Auditors with effect from 1 August 2014. The University Court receives on an annual basis, a report on internal audit activity, including an independent assessment of the adequacy and effectiveness of the University's systems of internal control, including risk management and financial control. For the year to 31 July 2016, the internal audit report concluded that the the University's systems were generally satisfactory with some improvements required. The University recognises through its Policy and Procedure on Public Interest Disclosure (Whistleblowing) that the raising of legitimate concerns by staff, students, members of Court or the general public and which are in the interests of the University, its staff or students, or of the general public is a practice which should be encouraged.

### Senior officers

The Principal, who is a member of Court ex officio has responsibility for implementing the decisions of Court, for initiating discussion and consultation on the University's

future development and for ensuring that appropriate proposals are presented to the governing body and as the Designated Officer of the University under the terms of the Financial Memorandum between the University and the Scottish Funding Council, for ensuring that Court takes cognisance of the terms of the Financial Memorandum in all its decision making.

The Secretary is the principal officer of Court and is responsible for ensuring that Court acts within its powers and follows proper procedures. The Secretary provides independent advice to Court members about their individual and collective responsibilities and how they should be discharged.

The University's activities and the factors likely to affect its future development, performance and position are set out in the Financial Review. Its cash flows and liquidity are set out in more detail in the Notes to the Financial Statements.

The University Court considers that the University has adequate resources to continue in operational existence for the foreseeable future.

### Conclusion

Overall, Court is of the view that it has in place a robust set of governance arrangements and procedures to fulfil its responsibilities.

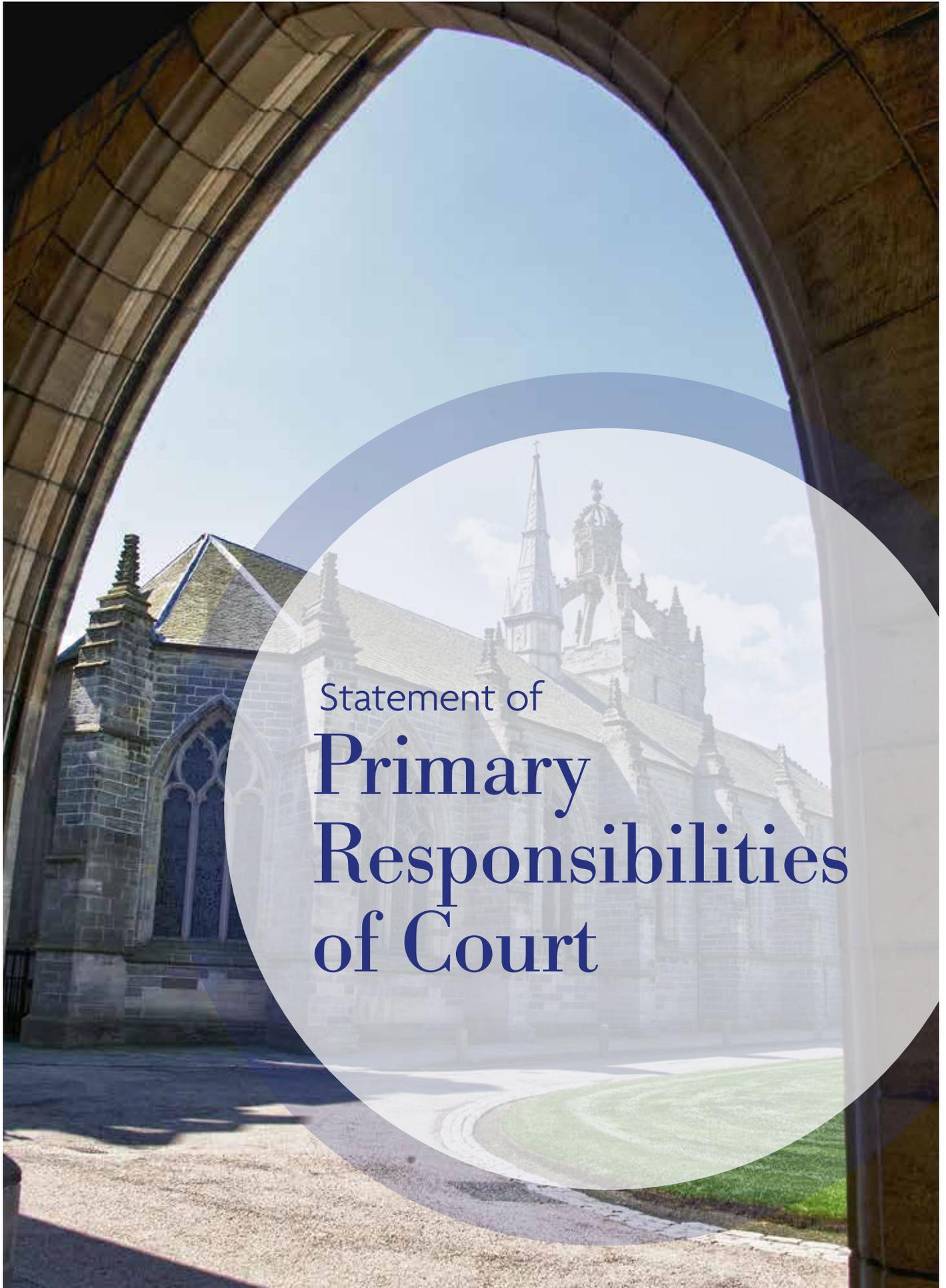
### Sir Moir Lockhead OBE



Senior Governor of the University Court  
6 December 2016



*The University  
fully endorses the  
provisions of the  
Scottish Funding  
Council's Financial  
Memorandum*



Statement of  
**Primary  
Responsibilities  
of Court**

## Statement of Primary Responsibilities of the Court

Court has adopted a Statement of Primary Responsibilities as follows and which was in operation during 2015/16. Court's Primary Responsibilities are:

### Strategic direction

1. To approve the mission and strategic vision of the University, including institutional and longer-term academic and business plans, and key performance indicators, and to ensure that they meet the interests of stakeholders, including students, staff, alumni, local and national communities and funding bodies.
2. To safeguard the good name and values of the University.

### Supervisory obligations

3. To delegate to the Principal, as chief executive, authority for the academic, corporate, financial, estate and human resource management of the University, and to establish and monitor such management functions as shall be undertaken by and under the authority of the Principal.
4. To ensure the quality of educational provision through the review of decisions of the Senate made under its statutory powers to regulate and superintend the teaching and discipline of the University and to promote research.



*To safeguard the good name and values of the University*





*...to promote the proper management of the health, safety and security of students, staff and others affected by the University*

### **Corporate responsibilities**

5. To be the University's legal authority and, as such, to ensure that systems are in place for meeting the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
6. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University, which is not within the control of the University of Aberdeen Development Trust.
7. To ensure that the University's constitution, as enacted in the Acts, Ordinances and Resolutions Affecting the University 1858-1990 and subsequent legislation, is followed and that appropriate advice is available to enable this to happen.
8. To be the employing authority for all staff in the University.
9. To ensure that the University behaves ethically, responsibly and with respect for the environment and for society at large.
11. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment and management, so as to maintain the solvency of the University and safeguard its assets.
12. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against approved plans and key performance indicators, which should be benchmarked against other comparable institutions, wherever possible.
13. To ensure that arrangements are in place to promote the proper management of the health, safety and security of students, staff and others affected by the University.
14. To make provision, in consultation with the Senate, for the general welfare of students.
15. To ensure that procedures are in place for dealing with internal grievances, conflicts of interest and public interest disclosure.

### **Controls, accountability and effectiveness**

10. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, to ensure adherence to the funding requirements specified by the Scottish Funding Council, and to have overall responsibility for the University's assets, property and estate and their use.
16. To establish processes to monitor and evaluate the performance and effectiveness of the University Court and its sub-committees and to ensure that business is conducted in as open a manner as possible, in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

17. To ensure, through the appointment of co-opted lay persons, a balance of skills and experience amongst the membership of Court to meet its primary responsibilities.

### **Monitoring of senior executives**

18. To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
19. To appoint the Secretary to Court and to ensure that there is an appropriate separation in the lines of accountability between responsibilities to Court and managerial responsibilities within the University.

These primary responsibilities include those pertaining to financial matters are stated above. The detailed requirements relating to financial matters are governed by law, agreements and regulations as decreed by various bodies and are stated as follows:

Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and Court of the University of Aberdeen, Court, through its Designated Officer, is required to prepare

financial statements for each financial year which give a true and fair view of the University's state of affairs and of the surplus or deficit and cash flows for that year.

When preparing the financial statements Court has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements 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; and
- financial statements are prepared on the going concern basis.

Court has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council 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 prevent and detect fraud; and
- secure the economic, efficient and effective management of the University's resources and expenditure.



*The Court is responsible for keeping proper accounting records*

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and professional departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and monthly reviews of financial results, involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Court;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Operating Board and Court; and
- an outsourced professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Court and whose head provides Court with a report on internal audit activity within

Any system of internal financial control can, however, only provide reasonable, and not absolute, assurance against material misstatement or financial loss.



A photograph of three young adults (two women and one man) laughing and talking in front of a wall covered in vibrant red ivy. The scene is set outdoors, likely on a university campus. A large, semi-transparent white circle is overlaid on the upper right portion of the image, containing the title text.

Membership of  
**Court and Key  
Committees  
2015-2016**

## Membership of Court and Key Committees 2015-2016

### UNIVERSITY COURT MEMBERSHIP:

#### Rector

Ms M Chapman

#### Principal

Professor Sir I Diamond

#### Chancellor's Assessor & Senior Governor

Sir Moir Lockhead

#### Rector's Assessor

Mr D Haywood

#### Vice-Principals

Professor J Kilburn

Professor P McGeorge

Professor P Hannaford

#### Assessor: Aberdeenshire Council

Councillor R McKail

#### Assessor: Aberdeen City Council

Councillor J Laing

#### Assessors: General Council

Professor N Booth

Mr A Arthur

Mrs J Shirreffs

Mr C Duncan

#### Assessors: Senatus

Professor A Akisanya (from 02.11.15)

Professor C Black

Professor C Brittain

Professor S Heys

Professor N Hutchison

Professor J Skakle (to 30.09.15)

Dr N Oren

### President, Students' Association

Miss G Clarke (to 30.06.16)

Mr C Anucha (from 01.07.16)

### Co-opted Members

Mr J Hall

Mr D MacFarlane

Mrs K McPhail

Ms A Minto

Mr K Murray

Mr B Pack

Mr B Paterson

Mr D Steyn

### OPERATING BOARD MEMBERSHIP:

Mr B Pack (Convener)

Miss G Clarke (to 30.06.16)

Dr N Oren (from 10.11.15)

Professor J Skakle (to 13.10.15)

Professor Sir I Diamond

Professor J Kilburn

Professor N Hutchison

Professor S Heys

Mr J Hall

Ms A Minto

Mr A Arthur

Mrs C Inglis

### REMUNERATION COMMITTEE MEMBERSHIP:

Sir Moir Lockhead (Convener )

Mr B Pack

Mr B Paterson

Mr C Duncan

Mrs K McPhail

Mr D Steyn

Miss G Clarke (to 30.06.16)

Mr C Anucha (from 01.07.16)

**GOVERNANCE NOMINATIONS  
COMMITTEE MEMBERSHIP:**

Mr J Hall (Convener)  
Professor A Akisanya (from 26.01.16)  
Professor Sir I Diamond  
Sir Moir Lockhead  
Miss G Clarke (to 30.06.16)  
Mr C Anucha (from 01.07.16)  
Mr B Pack  
Professor J Skakle (to 30.09.15)  
Mrs J Shirreffs

**AUDIT COMMITTEE MEMBERSHIP:**

Mr K Murray (Convener)  
Ms L Macfarlan (from 01.01.16)  
Mr P Milne (from 01.01.16)  
Mr D MacFarlane  
Mrs M McNeill  
Mr A McNiven  
Professor Sir L Ritchie



## Attendance at University Court and Committee Meetings for the year to 31 July 2016

Member	University Court (4 in year)	Audit Committee (5 in year)	Operating Board (8 in year)	Remuneration Committee (2 in year)	Governance and Nominations Committee (3 in year)
Ms M Chapman	4 of 4				
Professor Sir Ian Diamond	4 of 4		8 of 8		3 of 3
Sir Moir Lockhead	4 of 4			2 of 2	3 of 3
Professor J Kilburn	4 of 4		6 of 8		
Professor P McGeorge	4 of 4				
Professor P Hannaford	3 of 4				
Mr D Haywood	1 of 4				
Councillor R McKail	4 of 4				
Councillor J Laing	1 of 4				
Mr C Duncan	4 of 4			2 of 2	
Mr A Arthur	4 of 4		8 of 8		
Mrs J Shirreffs	4 of 4				2 of 3
Professor N Booth	4 of 4				
Professor A Akisanya	3 of 3				0 of 1
Professor C Black	3 of 4				
Professor N Hutchison	3 of 4		7 of 8		
Professor J Skakle	1 of 1		2 of 2		
Professor C Brittain	4 of 4				
Professor S Heys	4 of 4		6 of 8		
Dr N Oren	4 of 4		6 of 6		
Miss G Clarke	4 of 4		7 of 8	2 of 2	3 of 3
Mr C Anucha					
Mr J Hall	3 of 4		7 of 8		3 of 3
Ms K McPhail	4 of 4			2 of 2	
Ms A Minto	4 of 4		8 of 8		
Mr K Murray	4 of 4	4 of 5			
Mr B Pack	2 of 4		4 of 8	0 of 2	2 of 3
Mr B Paterson	4 of 4			2 of 2	
Mr D Steyn	4 of 4			2 of 2	
Mr D MacFarlane	4 of 4	4 of 5			
Ms L Macfarlan		3 of 3			
Professor Sir Lewis Ritchie		4 of 5			
Mr A McNiven		2 of 5			
Mrs M McNeill		4 of 5			
Mr P Milne		2 of 3			
*Mrs C Inglis			8 of 8		

\* The Secretary is a member of the Operating Board but not a member of the Court, Audit Committee, Remuneration Committee and Governance and Nominations Committee.

# Independent auditor's report to the Court of the University of Aberdeen

We have audited the financial statements of the University of Aberdeen for the year ended 31 July 2016 which comprise the Group and University Income and Expenditure Account, the Group and University Statement of Changes in Reserves, the Group and University Balance Sheets, the Group Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the University Court, in accordance with paragraph 12 of the Universities (Scotland) Act 1966 and, in the University Court's role as charity trustees, 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). Our audit work has been undertaken so that we might state to the University Court of the University of Aberdeen those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Court of the University of Aberdeen for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the University Court of the University of Aberdeen and auditor**

As explained more fully in the Statement of Primary Responsibilities of the Court set out on page 46, the Court of the University of Aberdeen is responsible for the preparation of the financial statements which give a true and fair view. We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University Court of the University of Aberdeen; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Accounts 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.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2016 and of the Group's income and expenditure, gains and losses, changes in reserves and Group's cash flows for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice with the 2015 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)

### Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them

### Matters on which, under the terms of our engagement, we are required to report by exception

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

- the information given in the Financial Review is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the 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.

**David Derbyshire**



for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

37 Albyn Place

Aberdeen

AB10 1JB

6 December 2016

# Financial Statements



**Statement of Comprehensive Income and Expenditure**  
**Year ended 31 July 2016**

	Note	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and educational contracts	1	51,023	51,023	46,804	46,804
Funding body grants	2	77,566	77,566	80,277	80,277
Research grants and contracts	3	63,999	63,999	62,494	62,494
Other income	4	35,571	35,921	38,118	38,118
Endowment and investment income	5	926	922	838	835
<b>Total income before endowments and donations</b>		<b>229,085</b>	<b>229,431</b>	<b>228,531</b>	<b>228,528</b>
Endowments and donations	6	877	12,677	1,050	3,950
<b>Total income</b>		<b>229,962</b>	<b>242,108</b>	<b>229,581</b>	<b>232,478</b>
Staff costs	7	133,549	133,549	156,079	156,079
Fundamental restructuring costs	7	3,783	3,783	3,481	3,481
Other operating expenses	8	73,716	73,808	70,256	69,716
Depreciation	9	19,099	18,641	18,017	17,559
Interest and other finance costs	10	4,386	4,386	3,925	3,925
<b>Total expenditure</b>	11	<b>234,533</b>	<b>234,167</b>	<b>251,758</b>	<b>250,760</b>
<b>(Deficit)/surplus before other gains/(losses) and share of operating surplus/(deficit) of joint venture</b>		<b>(4,571)</b>	<b>7,941</b>	<b>(22,177)</b>	<b>(18,282)</b>
Gain on disposal of fixed assets	12	4,464	82	4,340	4,059
Unrealised (loss) on revaluation of investment properties	13	(2,591)	(1,298)	(178)	(3)
Gain on non-current investments	14	3,350	3,350	4,711	4,711
Share of operational deficit in joint venture	15	(198)	-	(46)	-
<b>Surplus/(deficit) before tax</b>		<b>454</b>	<b>10,075</b>	<b>(13,350)</b>	<b>(9,515)</b>
Taxation		(495)	(495)	(568)	(568)
<b>(Deficit)/surplus for the year</b>		<b>(41)</b>	<b>9,580</b>	<b>(13,918)</b>	<b>(10,083)</b>
Actuarial loss in respect of pension schemes	21a	(7,408)	(7,408)	(1,046)	(1,046)
<b>Total comprehensive (deficit)/income for the year</b>		<b>(7,449)</b>	<b>2,172</b>	<b>(14,964)</b>	<b>(11,129)</b>
<b>Total comprehensive (deficit)/income for the year</b>					
Endowment comprehensive income for the year		3,320	3,320	2,970	2,970
Unrestricted comprehensive deficit for the year		(10,769)	(1,148)	(17,934)	(14,099)
<b>Total comprehensive (deficit)/income for the year</b>		<b>(7,449)</b>	<b>2,172</b>	<b>(14,964)</b>	<b>(11,129)</b>

**Consolidated and University Statement of Changes in Reserves**  
**Year ended 31 July 2016**

Consolidated	Income and expenditure account		Revaluation reserve	Total £000
	Endowment £000	Unrestricted £000	£000	
<b>Balance at 1 August 2014</b>	<b>35,024</b>	<b>151,923</b>	<b>204,544</b>	<b>391,491</b>
Surplus/(deficit) from the income and expenditure statement	2,970	(16,888)	-	(13,918)
Other comprehensive expenditure	-	(1,046)	-	(1,046)
Transfers between revaluation and income and expenditure reserves	-	5,781	(5,781)	-
Total comprehensive income/(deficit) for the year	2,970	(12,153)	(5,781)	(14,964)
<b>Balance at 1 August 2015</b>	<b>37,994</b>	<b>139,770</b>	<b>198,763</b>	<b>376,527</b>
Surplus/(deficit) from the income and expenditure statement	3,320	(3,361)	-	(41)
Other comprehensive expenditure	-	(7,408)	-	(7,408)
Transfers between revaluation and income and expenditure reserves	-	5,230	(5,230)	-
Total comprehensive income/(deficit) for the year	3,320	(5,539)	(5,230)	(7,449)
<b>Balance at 31 July 2016</b>	<b>41,314</b>	<b>134,231</b>	<b>193,533</b>	<b>369,078</b>
<b>University</b>				
<b>Balance at 1 August 2014</b>	<b>35,024</b>	<b>133,523</b>	<b>201,701</b>	<b>370,248</b>
Surplus/(deficit) from the income and expenditure statement	2,970	(13,053)	-	(10,083)
Other comprehensive expenditure	-	(1,046)	-	(1,046)
Transfers between revaluation and income and expenditure reserves	-	5,630	(5,630)	-
Total comprehensive income/(deficit) for the year	2,970	(8,469)	(5,630)	(11,129)
<b>Balance at 1 August 2015</b>	<b>37,994</b>	<b>125,054</b>	<b>196,071</b>	<b>359,119</b>
Surplus from the income and expenditure statement	3,320	6,260	-	9,580
Other comprehensive expenditure	-	(7,408)	-	(7,408)
Transfers between revaluation and income and expenditure reserves	-	5,079	(5,079)	-
Total comprehensive income/(deficit) for the year	3,320	3,931	(5,079)	2,172
<b>Balance at 31 July 2016</b>	<b>41,314</b>	<b>128,985</b>	<b>190,992</b>	<b>361,291</b>

**Balance Sheets  
as at 31 July**

	Note	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
<b>Non-current assets</b>					
Fixed assets	13	559,053	552,217	571,822	556,304
Heritage assets	13	277	277	277	277
Non-current investments	14	45,259	64,126	43,555	53,922
Investment in joint venture	15	18,965	-	10,663	-
		<b>623,554</b>	<b>616,620</b>	<b>626,317</b>	<b>610,503</b>
<b>Current assets</b>					
Stock	16	273	273	289	289
Trade and other receivables (including debtors over one year: £200,000) (2015: £8,500,000)	17	24,557	24,557	38,184	38,244
Investments	18	1,368	1,368	1,356	1,356
Cash and cash equivalents	23	21,208	20,368	7,401	5,749
		47,406	46,566	47,230	45,638
Less:					
Creditors: amounts falling due within one year	19	65,346	65,359	67,270	67,272
		<b>(17,940)</b>	<b>(18,793)</b>	<b>(20,040)</b>	<b>(21,634)</b>
<b>Net current liabilities</b>					
		<b>(18,140)</b>	<b>(18,993)</b>	<b>(28,540)</b>	<b>(30,134)</b>
<b>Net current liabilities excluding debtors over one year</b>					
		<b>605,614</b>	<b>597,827</b>	<b>606,277</b>	<b>588,869</b>
<b>Total assets less current liabilities</b>					
Less: Creditors: amounts falling due after more than one year	20	165,205	165,205	167,134	167,134
<b>Provisions</b>					
Pension provisions	21a	70,017	70,017	62,556	62,556
Other provisions	21b	1,314	1,314	60	60
		71,331	71,331	62,616	62,616
<b>Total net assets</b>		<b>369,078</b>	<b>361,291</b>	<b>376,527</b>	<b>359,119</b>

**Balance Sheets  
as at 31 July**

	Note	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
<b>Restricted reserves</b>					
Income and expenditure reserve – endowment reserve	22	41,314	41,314	37,994	37,994
<b>Unrestricted reserves</b>					
Income and expenditure reserve		134,231	128,985	139,770	125,054
Revaluation reserve		193,533	190,992	198,763	196,071
<b>Total funds</b>		<b>369,078</b>	<b>361,291</b>	<b>376,527</b>	<b>359,119</b>

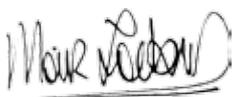
The Accounts set out on pages 58 to 101 were approved by the University Court on 6 December 2016 and signed on its behalf by:

**Professor Sir Ian Diamond** FBA FRSE AcSS



Principal and Vice-Chancellor

**Sir Moir Lockhead** OBE



Senior Governor of the University Court

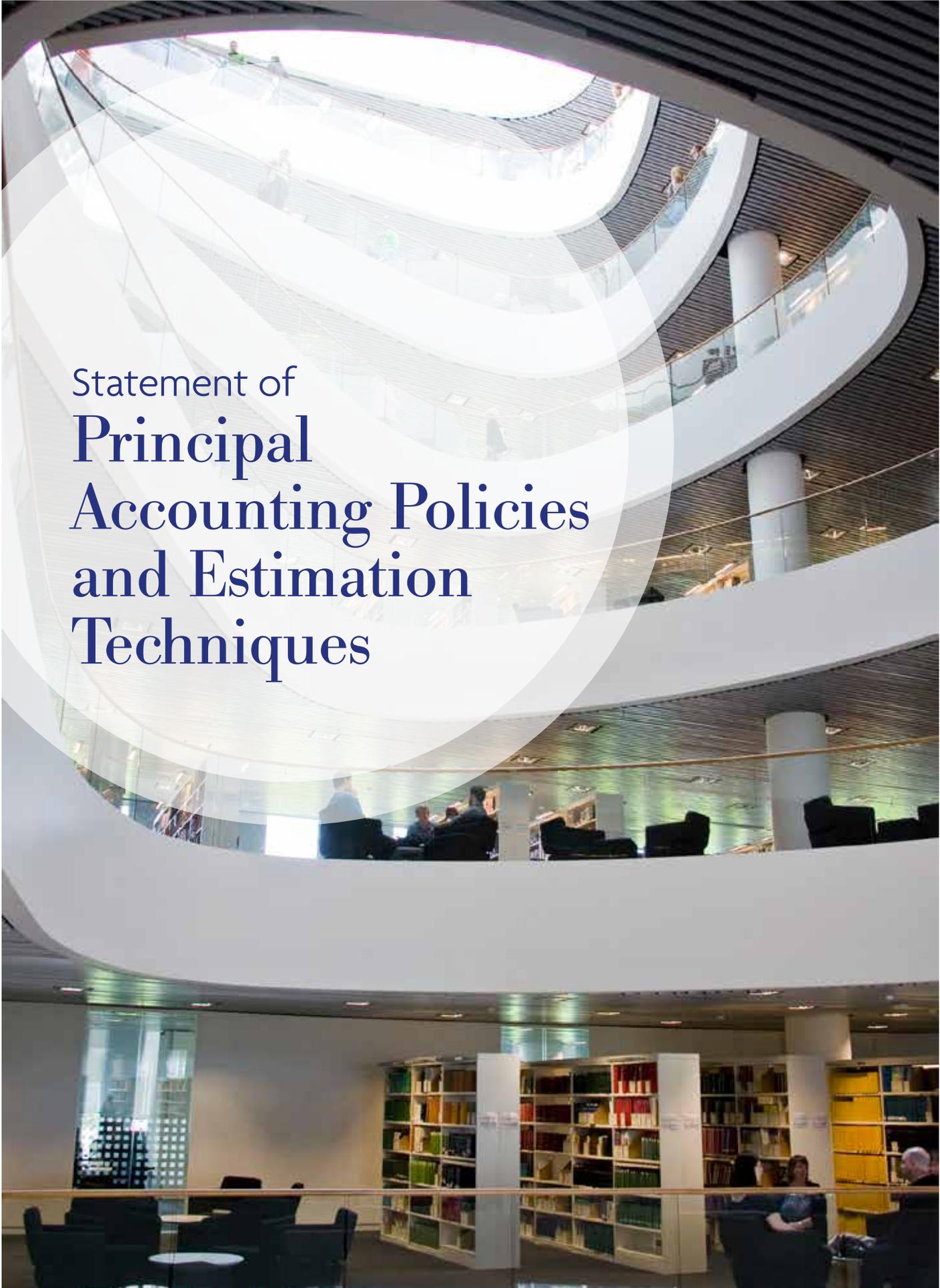
**David Beattie**



Director of Finance

**Consolidated Cash Flow Statement**  
**Year ended 31 July 2016**

	Note	2016 £000	2015 £000
<b>Cash flow from operating activities</b>			
Deficit for the year		(41)	(13,918)
<b>Adjustments for non-cash items</b>			
Depreciation	9 & 13	19,099	18,017
Impairment of fixed assets	13	1,788	732
Impairment of investments	14	1,348	732
(Gain) on investments	14	(3,350)	(4,711)
Decrease in stock		16	50
Decrease/(increase) in debtors		5,127	(4,045)
(Decrease)/increase in creditors		(1,705)	839
Increase in pension provisions (excluding actuarial loss)		53	14,835
Unrealised deficit on revaluation of investment properties	13	2,591	178
Share of operating deficit in joint venture	15	198	46
<b>Adjustments for investing or financing activities</b>			
Investment income	5	(926)	(838)
Interest payable	10	2,538	2,352
Endowment income	6 & 22	(80)	(116)
Capital grants received/released during the year		(3,325)	(5,573)
Profit on sale of fixed assets	12	(4,464)	(4,340)
<b>Net cash inflow from operating activities</b>		<b>18,867</b>	<b>4,240</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		11,794	4,389
Capital grant receipts		3,263	4,769
Disposal of non-current investments	14	8,059	2,142
Withdrawal of deposits		(12)	(20)
Investment income	5	926	838
Payments made to acquire fixed assets		(16,822)	(29,257)
New non-current asset investments	14	(7,761)	(2,457)
		(553)	(19,596)
<b>Cash flows from financing activities</b>			
Interest paid	10	(1,334)	(1,228)
Interest element of finance lease and service concession payments	10	(1,204)	(1,124)
Endowment cash received	6 & 22	80	116
New secured loans		-	10,400
Repayments of amounts borrowed		(108)	(95)
Capital element of finance lease and service concession payments		(1,941)	(1,857)
		(4,507)	6,212
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>13,807</b>	<b>(9,144)</b>
Cash and cash equivalents at beginning of the year	23	7,401	16,545
Cash and cash equivalents at end of the year	23	21,208	7,401
<b>Movement in cash and cash equivalents</b>		<b>13,807</b>	<b>(9,144)</b>

A large, multi-level atrium with a circular skylight and bookshelves. The space is modern and open, with people visible on different levels. The text is overlaid on a large, semi-transparent white circle.

Statement of  
**Principal  
Accounting Policies  
and Estimation  
Techniques**

## Statement of Principal Accounting Policies and Estimation Techniques

### **a. Basis of preparation**

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. Charities registered with the Office of the Scottish Charity Regulator (OSCR) fall within the statutory remit of the Charities and Trustee Investment (Scotland) Act 2005 and, in respect of financial statements preparation, the Charities Accounts (Scotland) Regulations 2006 (as amended). Regulation 14 of the 2006 Regulations allows universities to prepare their financial statements in accordance with the SORP.

The functional currency of the group is sterling and all amounts have been presented to the nearest thousand pounds.

The financial position and strategy of the University, including details of its long term borrowing facilities and their financial covenant, are set out in the Financial Review on pages 34 to 38. The financial statements continue to be prepared on a going concern basis as the University Court considers that the University has adequate financial resources to continue in operational existence for the foreseeable future.

### **b. Estimation techniques**

The preparation of financial statements requires management to make estimates and assumptions that affect the financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used principally when accounting for defined benefit

pension schemes and the carrying value of tangible fixed assets.

### **c. Basis of consolidation**

The consolidated financial statements include the University and its subsidiary for the year to 31 July 2016. 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 sales and profits are eliminated fully on consolidation. A list of subsidiary undertakings is included in note 29.

The consolidated financial statements do not include the income and expenditure of Aberdeen University Student's Association or the University of Aberdeen Development Trust as the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

### **Income recognition**

#### **a. Grant funding**

Government revenue grants including Scottish Funding Council block grants and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the University is entitled to the

income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

### **b. Donations and endowments**

Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds. Investment income and appreciation of endowments is recorded in income for the year for which it arises and is either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.

4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### **c. Other income**

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

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

Investment income is credited to the statement of income and expenditure on a receivable basis.

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

### **d. Capital grants**

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised within income when the University is entitled to the funds subject to any performance related conditions being met.

**Employment benefits**

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits, for example annual leave, are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

**Operating leases**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

**Finance leases**

Leases where the University substantially assumes all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance leases and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments and the start of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

**Service concession arrangements**

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

**Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to depreciated replacement cost on or prior to the date of transition to the SORP are measured on the basis of deemed cost, being the revalued amount at the date of transition. A revaluation reserve remains disclosed as a separate component of unrestricted reserves. The difference between historic cost depreciation and depreciation based on revalued deemed cost is transferred from the revaluation reserve to the income and expenditure reserve in each reporting period.

**a. Land and buildings**

Land and buildings are stated at cost or deemed cost for those acquired prior to transition to the SORP. Subsequent capital expenditure is recorded at cost.

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the surplus or deficit in the Statement of Comprehensive Income. Properties are not depreciated but are revalued annually according to market conditions at 31 July each year.

The University performs impairment reviews of assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount.

Costs incurred in relation to a tangible fixed asset after its initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University. The cost of any such enhancement is added to the gross carrying amount of the tangible fixed asset concerned.

#### **b. Equipment**

Equipment, including computers and software, and furniture costing less than £20,000 per individual item or group of related items, is written off in the year of purchase. All other items are capitalised. Assets acquired under finance leases are included in fixed assets and the capital element of the leasing commitments is shown as a liability.

#### **c. Depreciation**

Freehold land is not depreciated. Freehold buildings are depreciated over the expected useful economic life to the University, normally between 30 and 50 years. Where material, a depreciable asset's anticipated useful life is reviewed annually and the accumulated and future depreciation charges are adjusted.

Depreciation on tangible fixed assets in the course of construction is only provided when the assets are first brought into operational use. Where equipment is acquired with funding from specific grants it is depreciated over the life of the research grants. No depreciation is provided for on investment properties.

Depreciation is provided on the value of equipment, including IT equipment and software on a straight-line basis, normally between 2 – 10 years.

#### **d. Heritage assets**

The University holds a number of collections, exhibits, artefacts, and other assets of historical, artistic or scientific importance. Heritage assets acquired before 31 July 2011 have not been capitalised, since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions from 1 August 2011 are capitalised at cost or, in the case of donated assets, will be valued where the cost of obtaining value is not greater than the benefit to the user of the financial statements. In line with the accounting policy in respect of equipment, the threshold for capitalising heritage assets is £20,000. Heritage assets that are irreplaceable originals and for which no reliable value can be attributed, will not be capitalised. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

#### **e. Repairs and maintenance**

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the Statement of Comprehensive Income in the period in which it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

#### **f. Intangible assets**

Intangible assets (computer software) are accounted over their remaining useful economic life, not exceeding 15 years.

### Investments

Listed investments, including spin out companies that the University has an interest in, held as fixed assets or endowment assets are shown at market value with movements recognised in the Surplus or Deficit. Investments in subsidiary undertakings are shown at cost and investments in joint ventures are shown in the consolidated balance sheet as the attributable share of net assets. The University's share of any surplus or deficit in respect of Joint Ventures is recognised in the income and expenditure account.

### Stock

Stock, including work in progress, is valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

### Taxation

The University is an exempt charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities by the Office of the Scottish Charity Regulator. It is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

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

### Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

### Foreign currency

Foreign currency transactions are recorded at the rate of exchange at the dates of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at financial year end rates.

### Provisions, contingent liabilities and contingent assets

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

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

### **Pension schemes**

The principal schemes for the University's staff are the Universities' Superannuation Scheme (USS) and the University of Aberdeen Superannuation & Life Assurance Scheme (UASLAS). The University also contributes to the Strathclyde Pension Fund (SPF). All three are defined benefit schemes which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries. A small number of staff remain in other pension schemes.

#### **a. Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### **b. Defined benefit plan**

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans, net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is

performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds.

### **Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

### **Transition to 2015 FE HE SORP**

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 31.

Application of first time adoption grants certain exemptions from the full requirements of the SORP in the transition period. The following exemptions have been taken into these financial statements:

- Fixed assets, choice of fair value or revaluation as deemed cost - at 31 July 2014, fair value has been used for deemed cost for properties measured at fair value.

## Notes to the Financial Statements

### Year ended 31 July 2016

	2016 £000	2015 £000
<b>1. Tuition fees and educational contracts</b>		
<b>Consolidated and University</b>		
UK and EU fees	18,205	17,624
RUK fees	7,424	5,980
Non-EU fees	23,774	21,941
Non-credit bearing course fees	1,355	931
Other contracts	265	328
	<b>51,023</b>	<b>46,804</b>
<b>2. Funding body grants</b>		
<b>Consolidated and University</b>		
SFC general funding - teaching	46,603	47,651
SFC general funding - research	23,620	25,255
Strategic research development grant	4,082	3,890
Capital grants released from deferred income	2,943	3,188
Other SFC grants	318	293
	<b>77,566</b>	<b>80,277</b>
<b>3. Research grants and contracts</b>		
<b>Consolidated and University</b>		
Research councils	14,019	13,800
UK based charities	9,983	9,662
UK central and local government, health and hospital authorities	18,981	19,129
UK industry, commerce and public corporations	3,677	3,953
EU government bodies	5,369	5,716
EU other	670	950
Other overseas	8,466	7,521
Other sources	2,834	1,763
	<b>63,999</b>	<b>62,494</b>

Research grants and contracts income includes the following significant grants:

Funding body	Project title	£000
RESAS	RESAS main programme	5,012
Wista Laboratories Ltd	TAU research project	3,430
RESAS	RESAS main projects (2016 – 2021)	1,830
EPSRC	Dot rural	1,018
Wellcome Trust	Strategic award for medical mycology and fungal immunology	719
MRC	Effect of inorganic nitrate on cardiac and skeletal muscle	659

## Notes to the Financial Statements continued

### Year ended 31 July 2016

	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
<b>4. Other income</b>				
Residences, catering and conferences	14,554	14,554	15,143	15,143
Consultancy	5,619	5,619	5,791	5,791
Health authorities	5,661	5,661	5,959	5,959
VAT recovery	734	734	1,064	1,064
Other grants	8,999	9,349	8,821	8,821
Capital grants received/released	4	4	1,340	1,340
	<u>35,571</u>	<u>35,921</u>	<u>38,118</u>	<u>38,118</u>
<b>5. Investment income</b>				
Investment income from endowments (note 22)	842	842	750	750
Other investment income	84	80	88	85
	<u>926</u>	<u>922</u>	<u>838</u>	<u>835</u>
<b>6. Donations and endowments</b>				
New endowments (note 22)	80	80	116	116
Donations with restrictions	797	12,597	923	3,823
Unrestricted donations	-	-	11	11
	<u>877</u>	<u>12,677</u>	<u>1,050</u>	<u>3,950</u>
<b>7. Staff costs</b>				
			<b>2016</b>	<b>2015</b>
			<b>£000</b>	<b>£000</b>
<b>Consolidated and University</b>				
Salaries			109,083	116,210
Social security costs			9,182	9,418
Movement on pension provisions (note 21a)			(1,695)	13,263
Other pension costs			16,979	17,188
Early retirement/severance costs			3,783	3,481
			<u>137,332</u>	<u>159,560</u>
Emoluments of the Principal and Vice-Chancellor:				
Salary			274	272
Bonus			27	-
Pension contributions to USS			51	44
Total			<u>352</u>	<u>316</u>
The Principal was eligible for and received a bonus during the year. The bonus was waived during the prior year.				
Staff costs for key management personnel excluding employer's pension contribution			1,243	1,244
Key management personnel are the University's Senior Management Team, comprising of the Senior Vice-Principal, Vice Principals, Secretary to the University and Director of Finance.				
<b>Compensation for loss of office payable to senior post holders:</b>				
Number of payments in excess of £100,000 during the year			1	3
Compensation arrangements for members of staff earning in excess of £100,000			3	8

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 7. Staff costs - continued

	2016	2015
Remuneration of other higher paid staff, excluding salary sacrifice and employer's pension contributions:	<b>Number</b>	<b>Number</b>
£100,000 - £109,999	19	36
£110,000 - £119,999	21	16
£120,000 - £129,999	8	12
£130,000 - £139,999	7	3
£140,000 - £149,999	-	3
£150,000 - £159,999	3	1
£160,000 - £169,999	1	-
£170,000 - £179,999	1	-
£180,000 - £189,999	1	-

#### Average staff numbers by activity

Academic departments	1,114	1,249
Academic services	227	253
Administration and central services	325	354
Premises	171	185
Residences, catering and conferences	133	141
Research grants and contracts	423	560
Other expenses	121	139
	<b>2,514</b>	<b>2,881</b>

Average staff numbers are now stated on a full time equivalent basis, the 2015 figures have been restated on this basis.

	2016	2015
	£000	£000
<b>Staff costs by activity</b>		
<b>Consolidated and University</b>		
Academic departments	66,889	71,171
Academic services	10,174	10,469
Administration and central services	15,241	15,473
Premises	5,537	5,512
Residences, catering and conferences	3,940	4,141
Research grants and contracts	27,040	28,027
Other expenses	6,423	8,023
Pension cost adjustments	(1,695)	13,263
	133,549	156,079
Early retirement/severance costs	3,783	3,481
	<b>137,332</b>	<b>159,560</b>

**Notes to the Financial Statements continued**  
**Year ended 31 July 2016**

	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
<b>8. Other operating expenses by activity</b>				
Academic departments	12,587	12,587	12,026	12,026
Academic services	5,873	5,873	5,752	5,752
Administration and central services	10,752	10,752	11,138	11,138
Premises	10,068	10,068	10,355	10,355
Residences, catering and conferences	5,805	5,805	4,870	4,870
Research grants and contracts	20,085	20,085	20,081	20,081
Other expenses	8,546	8,638	6,034	5,494
	<u>73,716</u>	<u>73,808</u>	<u>70,256</u>	<u>69,716</u>

**Other operating expenses (including VAT) include:**

External auditors remuneration in respect of audit services	53	50	48	46
External auditors remuneration in respect of non-audit services	24	24	224	224
Internal auditors remuneration in respect of audit services	152	152	106	100
Internal auditors remuneration in respect of non-audit services	-	-	7	7

Non-audit services performed by the external auditors in the prior year principally comprised tax compliance and advice, together with advisory work relating to the University's digital strategy.

**9. Depreciation by activity**

Academic departments	2,584	2,584	2,568	2,568
Academic services	2,988	2,988	2,639	2,639
Administration and central services	126	126	66	66
Premises	7,826	7,826	7,136	7,136
Residences, catering and conferences	3,664	3,664	3,496	3,496
Research grants and contracts	1,204	1,204	1,405	1,405
Other expenses	707	249	707	249
	<u>19,099</u>	<u>18,641</u>	<u>18,017</u>	<u>17,559</u>

**10. Interest and other finance costs**

**Consolidated and University**

Loan interest	1,334	1,228
Finance leases	1,204	1,124
Interest on pension scheme liabilities (note 21a)	1,848	1,573
	<u>4,386</u>	<u>3,925</u>

**Notes to the Financial Statements continued**  
**Year ended 31 July 2016**

	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
<b>11. Analysis of total expenditure by activity</b>				
Academic departments	82,060	82,060	85,765	85,765
Academic services	19,035	19,035	18,860	18,860
Administration and central services	26,119	26,119	26,677	26,677
Premises	24,765	24,765	24,231	24,231
Residences, catering and conferences	14,613	14,613	13,631	13,631
Research grants and contracts	48,329	48,329	49,513	49,513
Other expenses	17,524	17,158	16,338	15,340
Pension cost adjustments	(1,695)	(1,695)	13,262	13,262
Early retirement/severance costs	3,783	3,783	3,481	3,481
	<u>234,533</u>	<u>234,167</u>	<u>251,758</u>	<u>250,760</u>
<b>12. Disposal of fixed assets</b>				
Gain on disposal of fixed assets	4,464	82	2,580	2,580
Gain on disposal of non-current investments	-	-	1,760	1,479
	<u>4,464</u>	<u>82</u>	<u>4,340</u>	<u>4,059</u>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 13. Non-current assets - Consolidated

	Freehold Land and Buildings	Assets in Course of Construction	Investment Properties	Heritage Assets	Fixtures, Fitting and Equipment	Intangible Assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
At 1 August 2015	482,937	40,727	44,956	277	48,797	6,096	623,790
Additions	2,807	9,410	200	-	4,179	1,444	18,040
Completed/change in use	48,431	(48,431)	-	-	-	-	-
Revaluation	-	-	(2,591)	-	-	-	(2,591)
Disposals	(7,223)	-	(966)	-	(2,887)	-	(11,076)
Impairment	-	(1,580)	(208)	-	-	-	(1,788)
<b>At 31 July 2016</b>	<b>526,952</b>	<b>126</b>	<b>41,391</b>	<b>277</b>	<b>50,089</b>	<b>7,540</b>	<b>626,375</b>
<b>Depreciation</b>							
At 1 August 2015	13,194	-	-	-	36,617	1,880	51,691
Charge for the year	13,367	-	-	-	5,248	484	19,099
Eliminated on disposals	(858)	-	-	-	(2,887)	-	(3,745)
<b>At 31 July 2016</b>	<b>25,703</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,978</b>	<b>2,364</b>	<b>67,045</b>
<b>Net book value</b>							
<b>At 31 July 2016</b>	<b>501,249</b>	<b>126</b>	<b>41,391</b>	<b>277</b>	<b>11,111</b>	<b>5,176</b>	<b>559,330</b>
At 31 July 2015	469,743	40,727	44,956	277	12,180	4,216	572,099

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 13. Non-current assets - University

	Freehold Land and Buildings	Assets in Course of Construction	Investment Properties	Heritage Assets	Fixtures, Fitting and Equipment	Intangible Assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
At 1 August 2015	474,488	40,727	37,429	277	48,797	6,096	607,814
Additions	2,807	9,410	200	-	4,179	1,444	18,040
Completed/change in use	48,431	(48,431)	-	-	-	-	-
Revaluation	-	-	(1,298)	-	-	-	(1,298)
Disposals	-	-	(400)	-	(2,887)	-	(3,287)
Impairment	-	(1,580)	(208)	-	-	-	(1,788)
<b>At 31 July 2016</b>	<b>525,726</b>	<b>126</b>	<b>35,723</b>	<b>277</b>	<b>50,089</b>	<b>7,540</b>	<b>619,481</b>
<b>Depreciation</b>							
At 1 August 2015	12,736	-	-	-	36,617	1,880	51,233
Charge for the year	12,909	-	-	-	5,248	484	18,641
Eliminated on disposals	-	-	-	-	(2,887)	-	(2,887)
<b>At 31 July 2016</b>	<b>25,645</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,978</b>	<b>2,364</b>	<b>66,987</b>
<b>Net book value</b>							
<b>At 31 July 2016</b>	<b>500,081</b>	<b>126</b>	<b>35,723</b>	<b>277</b>	<b>11,111</b>	<b>5,176</b>	<b>552,494</b>
At 31 July 2015	461,752	40,727	37,429	277	12,180	4,216	556,581

As part of the transition to FRS102, the University chose to no longer revalue land and buildings and to use the 31 July 2014 valuation figures as the deemed cost of assets. The 2014 valuation was performed by Mr A Donaldson, BLE, MRICS, Director of Estates, University of Aberdeen. The basis of valuation is depreciated replacement cost as set out in the Royal Institute of Chartered Surveyor's Statement of Asset Valuation Practice and Guidance Notes. The 31 July 2014 valuation was externally reviewed by J & E Shepherd, Chartered Surveyors.

The University owns academic, academic related and recreational buildings which are located in Old Aberdeen, at Foresterhill, part of Marischal College and various Halls of Residence complexes. Part of the Hillhead Halls of residence complex is held under a finance lease, the net book value of assets held under finance leases by the University is £28.1m (2015: £29.4m).

The land and buildings net book value at 31 July 2016 includes £41.4m (University £35m) in respect of investment properties that are required to be revalued on an annual basis. This was carried out on 31 July 2016 and was performed by Mr A Donaldson, BLE, MRICS, Director of Estates, University of Aberdeen.

Should any land and buildings financed by exchequer funds be sold, the University may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council, to repay the proceeds.

## Notes to the Financial Statements continued

### Year ended 31 July 2016

14. Non-current investments	Endowments £000	Spin Outs £000	Pensions £000	Other £000	Total £000
<b>Consolidated</b>					
At 1 August 2015	37,046	4,087	2,379	43	43,555
Additions	7,219	-	542	-	7,761
Disposals	(6,744)	(776)	(539)	-	(8,059)
Impairment	-	(1,348)	-	-	(1,348)
Appreciation	3,098	25	227	-	3,350
<b>At 31 July 2016</b>	<b>40,619</b>	<b>1,988</b>	<b>2,609</b>	<b>43</b>	<b>45,259</b>
<b>University</b>					
At 1 August 2015	37,046	4,087	2,379	10,410	53,922
Additions	7,219	-	542	8,500	16,261
Disposals	(6,744)	(776)	(539)	-	(8,059)
Impairment	-	(1,348)	-	-	(1,348)
Appreciation	3,098	25	227	-	3,350
<b>At 31 July 2016</b>	<b>40,619</b>	<b>1,988</b>	<b>2,609</b>	<b>18,910</b>	<b>64,126</b>
Other non-current investments consist of:				<b>Consolidated</b>	<b>University</b>
				<b>£000</b>	<b>£000</b>
Aberdeen Sports Village Ltd (Joint Venture)				-	18,867
CVCP Properties				43	43
				<b>43</b>	<b>18,910</b>

The Group's subsidiary undertakings are listed in note 29.

The Group has participating interests in spin out entities which exceed 20% of voting rights (at cost), however there is no board control over the entities and significant influence is not exerted over the operating and financial policies. As a result, the investees are free to implement policies that are inconsistent with the investor's strategy. The substance of the relationship between the investor and investee is that of a fixed asset investment with a view to a trade sale in the medium term. Therefore, these investments are disclosed as fixed asset investments and are not accounted for as equity.

The total value of endowments, spin outs and pension non-current assets carried at fair value in the consolidated balance sheet as £45,216,000 (2015: £43,512,000).

### 15. Investment in joint venture

The University holds a 50% share of Aberdeen Sports Village Limited, a company limited by guarantee and registered as a charity. This is a joint venture company owned equally by the University and Aberdeen City Council. The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidated Statement of Comprehensive Income.

	2016		2015	
	£000	£000	£000	£000
<b>Income and expenditure account</b>				
Income		3,126		3,150
Deficit before tax		(198)		(46)
<b>Balance sheet</b>				
Fixed assets	21,813		22,647	
Current assets	3,860		3,181	
		25,673		25,828
Less: Restricted funding from SportScotland		(5,108)		(5,350)
Share of gross assets		20,565		20,478
Less: Creditors - amounts due with one year		(1,600)		(9,815)
<b>Share of net assets</b>		<b>18,965</b>		<b>10,663</b>

The movement in the share of net assets in the year comprises the capitalisation of a loan previously recorded within debtors (note 17) and the University's share of the loss for the year.

**Notes to the Financial Statements continued**  
**Year ended 31 July 2016**

	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
<b>16. Stock</b>				
Stock of finished goods	<u>273</u>	<u>273</u>	<u>289</u>	<u>289</u>
<b>17. Trade and other receivables</b>				
Trade debtors	5,658	5,658	8,613	8,613
Prepayments and accrued income	18,699	18,699	21,071	21,071
Amounts due from joint venture	200	200	8,500	8,500
Amounts due from subsidiary companies	-	-	-	60
	<u>24,557</u>	<u>24,557</u>	<u>38,184</u>	<u>38,244</u>

Amounts due from joint venture is receivable after more than one year and are expected to be capitalised during the year ended 31 July 2017. The prior year amount due from joint venture was capitalised as part of investment in joint venture during the current financial year (note 15).

Financial instruments included within trade and other receivables are carried at amortised cost.

**18. Investments**

Short term deposits	<u>1,368</u>	<u>1,368</u>	<u>1,356</u>	<u>1,356</u>
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**19. Creditors: amounts falling due within one year**

Loans and leases	1,815	1,815	2,050	2,050
Research grants received on account	24,306	24,306	24,796	24,796
Other grants received on account	12,310	12,310	12,392	12,392
Trade creditors	3,502	3,502	3,547	3,547
Amounts due to subsidiary companies	-	33	-	29
Social security and other taxation payable	3,437	3,437	3,583	3,583
Accruals and deferred income	19,976	19,956	20,902	20,875
	<u>65,346</u>	<u>65,359</u>	<u>67,270</u>	<u>67,272</u>

Financial instruments included within creditors are carried at amortised cost.

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 20. Creditors: amounts falling due after more than one year

	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Loans	40,096	40,096	40,194	40,194
Finance lease obligations	30,144	30,144	31,860	31,860
Deferred income	94,965	94,965	95,080	95,080
	<b>165,205</b>	<b>165,205</b>	<b>167,134</b>	<b>167,134</b>
<b>a. Loans are repayable:</b>				
Less than one year	100	100	110	110
Between one and two years	96	96	194	194
Between two and five years	-	-	-	-
In five years or more	40,000	40,000	40,000	40,000
	<b>40,196</b>	<b>40,196</b>	<b>40,304</b>	<b>40,304</b>
<b>b. Finance lease net obligations committed:</b>				
Less than one year	1,715	1,715	1,940	1,940
Between one and two years	1,700	1,700	1,715	1,715
Between two and five years	4,600	4,600	3,963	3,963
In five years or more	23,844	23,844	26,182	26,182
	<b>31,859</b>	<b>31,859</b>	<b>33,800</b>	<b>33,800</b>
<b>c. Deferred income</b>				
Less than one year	3,084	3,084	3,031	3,031
Between one and two years	2,636	2,636	3,084	3,084
Between two and five years	7,295	7,295	7,541	7,541
In five years or more	85,034	85,034	84,455	84,455
	<b>98,049</b>	<b>98,049</b>	<b>98,111</b>	<b>98,111</b>

Deferred income relates to capital grants received from government bodies.

Included in loans are the following:

Lender	Amount £000	Term Year	Rate %
Barclays Bank Plc	4,600	2031	5.415
Barclays Bank Plc	15,000	2036	3.195
Barclays Bank Plc	10,000	2036	3.070
Barclays Bank Plc	10,400	2036	3.200
Salix Ltd	196	2017	-

Barclays Bank Plc has been given security over Adam Smith, Fyfe and Wavell Halls within the loan facility, as a matching security, in relation to New Carnegie Court.

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 20. Creditors: amounts falling due after more than one year - continued

##### Leases

The University has entered into a leasing arrangement with British Linen Leasing Ltd, in respect of two halls of residence over a period of 25 years. £3.2m is payable in less than five years under this agreement which expires in 2018.

In December 2012 the University entered into a finance leasing arrangement with Prudential Ltd, in respect of the New Carnegie Court Halls of Residence (previously owned and built by Unite Plc) over a period of 25 years, £28.6m is payable under this agreement which expires in 2037. As part of the finance leasing arrangement Prudential Retirement Income Ltd has security over the New Carnegie Court Halls of Residence for the first 5 years of the lease.

#### 21. Provisions for liabilities

##### a. Pension provisions

	USS Deficit Obligations £000	Defined Benefit Obligations £000	Enhanced Pensions £000	Total Pension Provisions £000
<b>Consolidated and University</b>				
At 1 August 2015	28,523	29,833	4,200	62,556
Charged to staff costs	-	4,357	-	4,357
Movements in year	-	-	(100)	(100)
Interest payable	762	1,086	-	1,848
Employer contributions paid	(1,155)	(3,565)	-	(4,720)
Changes in expected contributions	(1,332)	-	-	(1,332)
Actuarial loss	-	7,408	-	7,408
<b>At 31 July 2016</b>	<b>26,798</b>	<b>39,119</b>	<b>4,100</b>	<b>70,017</b>

Further information regarding the USS pension scheme and defined benefit obligation schemes is available in note 27.

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. This liability is assessed by independent actuarial valuation (see note 27) and continues throughout the retirement period.

##### b. Other provisions

	Waste Disposal £000	Restructuring Costs £000	Total £000
<b>Consolidated and University</b>			
At 1 August 2015	60	-	60
Charged to staff costs	-	1,254	1,254
<b>At 31 July 2016</b>	<b>60</b>	<b>1,254</b>	<b>1,314</b>

In July 2016 the University announced the launch of an early retirement and voluntary service scheme for the School of Medicine, Medical Sciences and Nutrition.

The University has an obligation under Scottish Environment Protection Agency regulations to provide for the removal of "High Activity Sealed Sources" held within the Institute of Medical Sciences Building. It is expected that these sources will be removed within the next 10-15 years.

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 22. Endowment reserves

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Restricted Expendable £000	2016 Total £000	2015 Total £000
<b>Balance at 1 August 2015</b>					
Capital	13,676	19,198	402	33,276	29,914
Accumulated income	-	4,718	-	4,718	5,110
	<u>13,676</u>	<u>23,916</u>	<u>402</u>	<u>37,994</u>	<u>35,024</u>
New endowments	-	80	-	80	116
Investment income	288	544	10	842	750
Expenditure	(288)	(354)	(58)	(700)	(1,305)
Net expenditure	<u>-</u>	<u>190</u>	<u>(48)</u>	<u>142</u>	<u>(555)</u>
Increase in market value of investments	1,113	1,978	7	3,098	3,409
<b>At 31 July 2016</b>	<b><u>14,789</u></b>	<b><u>26,164</u></b>	<b><u>361</u></b>	<b><u>41,314</u></b>	<b><u>37,994</u></b>
<b>Represented by:</b>					
Capital	14,789	21,174	159	36,122	33,276
Accumulated income	-	4,990	202	5,192	4,718
	<u>14,789</u>	<u>26,164</u>	<u>361</u>	<u>41,314</u>	<u>37,994</u>
<b>Analysis by purpose</b>					
Bursaries				1,802	1,760
Prizes				1,524	1,472
Scholarships				4,354	4,208
Teaching foundations				3,510	3,361
Other restricted purposes				11,188	10,966
Unrestricted				14,789	13,676
Unallocated unrealised gains				4,147	2,551
				<u>41,314</u>	<u>37,994</u>

#### 23. Cash and cash equivalents

	Consolidated £000	University £000
At 1 August 2015	7,401	5,749
Cash flows	13,807	14,619
<b>At 31 July 2016</b>	<b><u>21,208</u></b>	<b><u>20,368</u></b>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 24. Capital commitments

	2016 £000	2015 £000
<b>Consolidated and University</b>		
Commitments contracted for	5,303	6,286
Authorised but not contracted for	3,914	16,121
	<u>9,217</u>	<u>22,407</u>

#### 25. Amounts disbursed as agent

	Childcare Funds £000	Undergraduate Funds £000	Postgraduate Funds £000	2016 Total £000	2015 Total £000
<b>Consolidated and University</b>					
At 1 August 2015	2	-	-	2	98
Repaid as claw back	(2)	-	-	(2)	(98)
Allocation received in year	146	363	112	621	673
Interest earned	-	1	-	1	2
Expenditure	(145)	(407)	(64)	(616)	(673)
Transfer	-	45	(45)	-	-
<b>At 31 July 2016</b>	<u>1</u>	<u>2</u>	<u>3</u>	<u>6</u>	<u>2</u>

#### 26. Disclosure of related party transactions

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

The following transactions were identified for the disclosure:

Organisation	Relationship	Nature of Transaction	Receipts £000	Payments £000
Aberdeen City Council	Local Authority	Operations	205	979
Aberdeen Sports Village Limited	Joint venture	Operations/Grant	242	1,502
Aberdeenshire Council	Local Authority	Operations	42	36
Carnegie Trust	Charity	Operations/Grants	47	1
Cruickshank Botanical Gardens Trust	Charity	Operations/Grants	-	8
Lathallan School	School	Operations	-	5
Sirakoss Ltd	Company	Operations	48	-
TECHFEST Aberdeen	Charity	Payroll operations	231	1
University of Aberdeen Development Trust	Charity	Operations/Grant	3,722	1,205

Outstanding balances owed from/(to) the above related parties at 31 July 2016 were as follows:

	2016 £000	2015 £000
Aberdeen City Council	5	1
Aberdeen Sports Village Limited	7	(282)
TECHFEST Aberdeen	17	21
University of Aberdeen Development Trust	131	291

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 27. Pension schemes

The principal schemes for the University's staff are Universities' Superannuation Scheme (USS) and the University of Aberdeen Superannuation & Life Assurance Scheme (UASLAS). The University also contributes to the Strathclyde Pension Fund (SPF). The UASLAS and SPF schemes are defined benefit schemes, whilst the USS scheme has a combination of defined benefit and defined contribution elements. All three schemes are externally funded. Each fund is valued every three years by professionally qualified independent actuaries. A small number of staff remain in other pension schemes.

#### Scheme participation and pension costs

Pension Scheme	Employer	Employee	Active Members	Pension Costs	
	Contribution Rate	Contribution Rate		2016	2015
		As at 31 July 2016		£000	£000
UASLAS	17.1% <sup>1</sup>	7.05%	607	2,229	2,009
SPF	24.1%	Variable	33	157	162
USS	18.0% <sup>2</sup>	8.0%	2,041	14,487	15,348
STSS	14.9%	Variable	8	80	146
NHSSS	14.3%	Variable	9	72	68
				<u>17,025</u>	<u>17,733</u>

<sup>1</sup> The UASLAS employer contribution rate includes a 5.8% contribution towards the elimination of the funding shortfall.

<sup>2</sup> The USS employer contribution rate includes the following elements in respect of the deficit recovery plan:

Up to the salary threshold of £55,000	2.5%
Above the salary threshold	2.1%

#### Key actuarial assumptions, if appropriate

Pension Scheme	Discount Rate	Salary Increase Rate	Pension Increase Rate	Mortality Rate	Mortality Rate	Mortality Rate	Mortality Rate
				Current pensioners male	Current pensioners female	Future pensioners male	Future pensioners female
USS	3.6%	-	2.2%	24.3	26.5	26.4	28.8
SPF	2.4%	3.9%	1.9%	22.1	23.6	24.8	26.2
UASLAS	2.4%	2.9%	CARE Final Salary 2.9%	21.4	23.9	23.1	25.8

In calculating the USS pension provision, the University used the discount rate (1.76%) provided by the British Universities Finance Directors Group (BUFDG) and a future salaries increase rate of 1.6%.

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 27. Pension schemes – continued

##### The Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (the scheme). Throughout preceding periods and until 31 March 2016, the scheme was a defined benefit only pension scheme which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

FRS102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme, where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The Court is satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole. The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Standard mortality tables were used as follows:

Male members' mortality	98% of SINA ["light"] YoB tables – No age rating
Female members' mortality	99% of SINA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7
	<b>2016</b>	<b>2015</b>
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
Total scheme deficit	£8.5bn	£11.1bn
Total funding level	85%	82%

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 27. Pension schemes – continued

##### The University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS)

The University of Aberdeen Superannuation and Life Assurance Scheme is a funded defined benefit pension scheme in the UK. The Scheme is set up on a tax relieved basis as a separate trust independent of the University and is supervised by Trustees. The Trustees are responsible for ensuring that the correct benefits are paid, that the Scheme is appropriately funded and that Scheme assets are appropriately invested.

Active members of the Scheme pay contributions at the rate of 7.05% of pensionable salary and the University pays the balance of the cost as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme for funding purposes whereas the accounting assumptions must be best estimates. The University contributes 5.8% of active members' pensionable salaries to eliminate the funding shortfall disclosed at the previous Scheme funding assessment, which had an effective date of 31 July 2013. This is in addition to contributions paid in respect of future service benefits and administration expenses.

A formal actuarial valuation was carried out as at 31 July 2013. The results of that valuation have been projected to 31 July 2016 with allowance for benefit accrual and cash flows in the intervening period.

The power to appoint Trustees is vested in the University Court. Trustee appointments cease if the Trustee ceases to be a member of the Scheme or resigns from the University. The Trustee body includes an independent chairman, two membership representative Trustees elected by the active and pensioner members of the scheme, two officers of the University and a member of the University Court. The arrangements for appointing membership representatives comply with the Membership Nominated Trustee requirements of the Pensions Act 2004.

Trustees are invited to attend Trustee meetings at which a minimum of two must be present for valid decisions to be taken. Decisions require the majority support of those Trustees present. Trustee meetings are normally held every three months, but can be called more frequently where necessary. During the year the Trustees met five times.

	2016 Fund Value £000	2015 Fund Value £000
Equities	83,029	73,835
Property	11,349	10,055
Government bonds	2,588	31,592
Corporate bonds	3,255	4,946
Index linked bonds	34,086	-
Secure pensions	850	804
Cash	206	366
	<u>135,363</u>	<u>121,598</u>

At 31 July 2016, the defined benefit liability of the scheme was £36.4m.

##### The Strathclyde Pension Fund (SPF)

The Strathclyde Pension Fund (SPF) provides benefits based on a final pensionable salary for employees of local government and some other institutions. It is possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if they were a defined benefit scheme.

The last triennial valuation undertaken was at 31 March 2014. The employer's contribution rate payable on members' pensionable salaries is 24.1%. The accounting standard FRS102 is designed to produce a net pension asset or liability calculated according to a prescribed method of valuation. In particular, the discount rate applied to pension scheme liabilities differs from that used in normal actuarial valuations to determine, inter alia, the scheme's required funding rate, and generally produce a higher value for scheme liabilities. The pension costs are determined with the advice of an independent qualified actuary on the basis of triennial valuation using the projected unit method.

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 27. Pension schemes – continued

##### The Strathclyde Pension Fund (SPF)

	2016 Fund Value £000	2015 Fund Value £000
Equities	11,231	10,270
Bonds	2,462	1,643
Property	1,692	1,643
Cash	-	137
	<u>15,385</u>	<u>13,693</u>

At 31 July 2016, the defined benefit liability of the scheme was £2.7m.

##### The Scottish Teachers Superannuation Scheme (STSS)

The STSS is an unfunded defined benefit scheme. Contributions on a “pay-as-you-go” basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional assets value is ascribed to the scheme for the purposes of determining contribution rates.

Under the definitions set out in FRS102, the STSS is a multi-employer pension scheme. The University of Aberdeen 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 FRS102 and has accounted for its contribution as if it were a defined contribution scheme. The scheme is subject to a report by the Government Actuary every five years.

##### The National Health Service Superannuation Scheme (NHSSS)

NHSSS is a multi-employer defined benefit pension scheme. Historically the scheme has operated on the basis that it is responsible only for the cost of the basic benefits payable to members and their dependants, with the cost of pension increases being met by the Exchequer. However, from 1 April 2004, the cost of pension increases has been met by an increase in the employers’ contribution rate.

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 27. Pension schemes – continued

##### Additional Pension Payments

Following the merger with Northern College in 2001 the University is responsible for the payment of enhanced pensions to a number of former employees of the College, most of whom have been granted premature retirement. An actuarial valuation of the liability was carried out as at 1 December 2001, the date of the merger between the University and Northern College. This valuation revealed a liability of £4,596,000, which was incorporated into the accounts of the University at merger.

The main assumptions made by the actuary are:

	2016	2015
Discount Rate	2.4%	3.6%
Pension Increases	1.9%	2.3%

In order to maintain consistency with the approach adopted for previous years, all other assumptions, including demographic assumptions adopted are those used for the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS).

##### Reserve for Northern College of Education pensions

Calculations are carried out in respect of the pensions paid by the University of Aberdeen for the former employees of the Northern College of Education.

##### Data

Membership statistics for former employees of the Northern College of education in receipt of a pension on 31 July are as follows:

		2016	2015
		£000	£000
Old Scheme	Academic staff	164	172
	Support staff	12	13
New Scheme	Academic staff	110	110
	Support staff	35	35
Total		<u>321</u>	<u>330</u>

##### Benefits to be valued

The pensions are paid to former employees of the Northern College of Education subject to the following terms:

- Pension increases are in line with statutory increases (currently CPI inflation);
- Spouses' pensions are 50% of members' pensions at date of death;
- Widowers' pensions are payable in respect of females whose pensions commenced after 5 April 1988

	2016	2015
	£000	£000
<b>Results</b>		
Liability on this basis at 31 July	<u>4,100</u>	<u>4,200</u>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 27. Pension schemes – continued

##### Combined disclosures – Defined Benefit Schemes

The following amounts were measured in respect of UASLAS and SPF and have been recognised in the financial statements.

	2016 £000	2015 £000
<b>Analysis of amounts recognised in surplus/(deficit) for the year</b>		
Employer contributions	(3,565)	(3,719)
Employer service cost	4,057	3,880
Administrative costs	300	300
Net interest cost	1,086	1,121
	<b>1,878</b>	<b>1,582</b>
<b>Analysis of other comprehensive income</b>		
Actual return less expected return on scheme assets	(20,741)	8,174
Experience gains/(losses) on liabilities	(227)	(59)
Changes in assumptions	13,560	(9,161)
	<b>(7,408)</b>	<b>(1,046)</b>
<b>Analysis of amount shown in the balance sheet:</b>		
Actuarial value of scheme liabilities	(189,867)	(165,124)
Fair value of assets	150,748	135,291
Defined benefit liability at end of year	<b>(39,119)</b>	<b>(29,833)</b>
<b>Reconciliation to the balance sheet:</b>		
Defined benefit liability at end of previous year	(29,833)	(27,205)
Past service cost	(4,357)	(4,180)
Net interest charge	(1,086)	(1,121)
Employer contributions	3,565	3,719
Actuarial (loss)	(7,408)	(1,046)
Defined benefit liability at end of year	<b>(39,119)</b>	<b>(29,833)</b>
<b>Change in actuarial value of scheme liabilities:</b>		
Scheme liabilities at prior year end	165,124	151,674
Employer service cost	4,057	3,880
Interest cost	5,890	6,124
Scheme participants contributions	86	111
Actuarial loss	20,968	10,420
Benefits paid from scheme assets	(6,258)	(7,085)
Scheme liabilities at current year end	<b>189,867</b>	<b>165,124</b>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 27. Pension schemes – continued

	2016 £000	2015 £000
<b>Change in scheme assets:</b>		
Fair value of assets at prior year end	135,291	124,469
Administrative expenses	(300)	(300)
Interest income	4,804	5,003
Actuarial gain on assets	13,560	9,374
Employer contributions	3,565	3,719
Scheme participants contributions	86	111
Benefits paid from scheme assets	(6,258)	(7,085)
Fair value on assets at current year end	<u>150,748</u>	<u>135,291</u>

Five-year history of assets and liabilities:	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
<b>Deficit in the schemes:</b>					
Actuarial value of scheme liabilities	(189,867)	(165,124)	(151,674)	(147,192)	(140,951)
Fair value of assets	150,748	135,291	124,469	121,606	104,717
Deficit in the scheme	<u>(39,119)</u>	<u>(29,833)</u>	<u>(27,205)</u>	<u>(25,586)</u>	<u>(36,234)</u>

#### 28. Lease obligations

	2016 £000	2015 £000
Total rentals payable under operating leases:		
<b>Payable during the year</b>	481	495
<b>Future minimum lease payments due:</b>		
Not later than one year	42	481
Later than 1 year and not later than five years	61	48
	<u>103</u>	<u>529</u>

The existing lease for multi-function devices expired on 31 July 2016, with a replacement agreement with a new supplier starting on 1 August 2016. As at 31 July 2016, there were no rentals payable in respect of this agreement.

#### 29. Subsidiary undertakings

The subsidiary companies (all of which are registered in Scotland), wholly owned by the University, are as follows:

Company	Principal Activity
Rowett Research Institute Limited	Charitable research company
Aberdeen University Research & Innovation Services Limited	Dormant
King's College Conference Centre Limited	Dormant
Aberdeen University Press Limited	Dormant

## Notes to the Financial Statements continued

### Year ended 31 July 2016

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#### 30. Financial instruments

##### Risk management

The University operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency risk. These financial risks are managed within the parameters specified by the approved treasury management policy. The treasury management policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is reviewed, updated and approved annually.

The University's principal financial instruments are cash, investments, loans and finance leases. The core objective of these financial instruments is to meet the financing needs of the University's operations and capital investment. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

##### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University. The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2016, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade ratings assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counterparty limits and minimum counter party credit ratings set within the treasury management policy.

Student and commercial debtors are reviewed on an on-going basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is a limited due to a large number of diverse customers across both student and commercial customer populations.

##### Liquidity risk

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities. Cash flow forecasts form part of the University planning process and are revised during the financial year with re-forecasts made as required. The University policy is to maintain an average cash balance equivalent to one month's core payroll and operating costs. Excess funds are invested to maximise the return whilst observing the Treasury Management Policy limits.

The long-term financing of the University has been secured by the Barclays Bank loan facility and finance leases in respect of student accommodation as detailed in note 20.

##### Foreign currency risk

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the University. The University's principal foreign currency exposure is to the euro, The operating level of euros holding is reviewed on a monthly basis and after accounting for any forecast liabilities any surplus euros above this level are converted into sterling at spot rates.

##### Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk). The interest rate attached to the loan facility is fixed over the term. Due to the low interest rate environment most of the University cash deposits at the 31st July 2016 are on-call as these offer a competitive rates of return whilst offering liquidity. Such deposits have limited re-investment risk.

##### Financial instruments – fair values

The fair values of each category of the University's financial instruments are the same as their carrying value in the balance sheet. The value of financial instruments held at fair value is determined by reference to their quoted bid price at the balance sheet date.

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 31. Transition to FRS102 and 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2015. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP – the old SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

#### 1) Reconciliation of total funds

	2015 £000	2014 £000
<b>Total funds – Consolidated</b>		
Old SORP total funds at 31 July	497,466	499,634
Transfer of government grants to deferred income falling due after more than one year	(95,080)	(94,736)
Transfer of government grants to creditors falling due within one year	(3,031)	(4,309)
Transfer of negative goodwill in respect of acquisition of Rowett Research Institute Ltd	10,704	11,011
Recognition of USS pension scheme liability	(28,523)	(15,272)
Recognition of holiday pay accrual	(5,009)	(4,837)
<b>New SORP total funds</b>	<b>376,527</b>	<b>391,491</b>

#### Total funds – University

Old SORP total funds at 31 July	490,762	489,402
Transfer of government grants to deferred income falling due after more than one year	(95,080)	(94,736)
Transfer of government grants to creditors falling due within one year	(3,031)	(4,309)
Recognition of USS pension scheme liability	(28,523)	(15,272)
Recognition of holiday pay accrual	(5,006)	(4,837)
<b>New SORP total funds</b>	<b>359,119</b>	<b>370,248</b>

#### 2) Reconciliation of deferred capital grants and reserves

##### Deferred capital grants – Consolidated and University

Old SORP deferred capital grants as at 31 July	130,000	131,736
Transfer of non-government grants to income and expenditure reserve	(31,889)	(32,691)
Transfer of government grants to deferred income falling due after more than one year	(95,080)	(94,736)
Transfer of government grants to creditors falling due within one year	(3,031)	(4,309)
	-	-

The University has adopted the accruals method for income recognition for capital grants from government sources. Deferred capital grant balances from government sources have been transferred to deferred income and analysed by the release period. As per FRS102, all other capital grants are recognised on the completion of performance conditions and have been transferred to the income and expenditure reserve.

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 31. Transition to FRS102 and 2015 SORP - continued

##### 2) Reconciliation of deferred capital grants and reserves - continued

	2015 £000	2014 £000
<b>Income and expenditure reserves - Consolidated</b>		
Old SORP income and expenditure reserves as at 31 July	94,009	92,759
Transfer of non-government deferred capital grant balances	31,889	32,691
Transfer of negative goodwill in respect of acquisition of Rowett Research Institute Ltd	10,704	11,011
Recognition of USS pension scheme liability	(28,523)	(15,272)
Recognition of holiday pay accrual	(5,006)	(4,837)
Transfer from revaluation reserve in respect of investments	1,360	56
Transfer from revaluation reserve in respect of investment property	35,337	35,515
<b>New SORP Income and expenditure reserves</b>	<b>139,770</b>	<b>151,923</b>
<b>Income and expenditure reserves - University</b>		
Old SORP Income and expenditure reserves as at 31 July	93,200	88,748
Transfer of non-government deferred capital grant balances	31,889	32,691
Recognition of USS pension scheme liability	(28,523)	(15,272)
Recognition of holiday pay accrual	(5,006)	(4,837)
Transfer from revaluation reserve in respect of investments	1,360	56
Transfer from revaluation reserve in respect of investment property	32,137	32,137
<b>New SORP 102 Income and expenditure reserves</b>	<b>125,054</b>	<b>133,523</b>

##### 3) Explanation of adjustments to funds and reserves

###### a. Negative goodwill

The University merged with the Rowett Research Institute on 1 July 2008. The benefit arising as a consequence of no consideration having been paid by the University for the net value of the assets acquired was previously included in the consolidated balance sheet as a deduction from tangible and intangible assets. The fair value was calculated by attributing values to the separate categories of asset and liability, with the benefit arising in relation to non-monetary assets released to the income and expenditure account over the periods in which the non-monetary assets was recovered, whether through depreciation or disposals. As part of the transition to FRS102, the remaining benefit was transferred to the income and expenditure reserves on 1 August 2014 as the nature of the transaction was a gift. In substance a gift arises where the combination is transacted at nil or nominal consideration that is not a fair value exchange and the resulting surplus is recorded immediately.

###### b. USS pension scheme liability

The University has recognised the discounted fair value of the contractual contributions under the funding plan for the USS pension scheme. The scheme meets the definition of a multi-employer scheme and has therefore the provision has been recognised under FRS102.

###### c. Holiday pay accrual

FRS 102 requires that the University provides for employee benefits not settled within the year. In practical terms the requirement is for the University to accrue the value of untaken annual leave as at 31 July each financial year. To determine the value of the accrual a representative sample of outstanding annual leave was taken from across the University, with the resultant percentage being applied to all staffing costs.

###### d. Revaluation movements

Revaluation movements in respect of investments and investment properties are now recognised in the income and expenditure reserve via the Statement of Comprehensive Income.

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 31. Transition to FRS102 and 2015 SORP - continued

##### 3) Explanation of adjustments to funds and reserves - continued

##### e. Investments, endowment assets and cash

FRS102 does not require the separate disclosure of endowment assets, therefore endowment investment and cash holdings are now included within the relevant balance sheet category.

Short term deposits, those for less than three months, previously reported as current investments are now included within the revised cash and cash equivalents heading.

	2015 £000	2014 £000
<b>Revaluation reserve - Consolidated</b>		
Old SORP reserves as at 31 July	235,463	240,115
Transfer to income and expenditure reserve in respect of investments	(1,363)	(56)
Transfer to income and expenditure reserve in respect of investment property	(35,337)	(35,515)
	<u>198,763</u>	<u>204,544</u>
<b>Revaluation reserve - University</b>		
Old SORP reserves as at 31 July	229,568	233,894
Transfer to income and expenditure reserve in respect of investments	(1,360)	(56)
Transfer to income and expenditure reserve in respect of investment property	(32,137)	(32,137)
	<u>196,071</u>	<u>201,701</u>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 31. Transition to FRS102 and 2015 SORP - continued

#### 4) Balance Sheet reconciliations

Consolidated – 1 August 2014	Transition notes	Old SORP £000	Effect of Transition £000	New SORP £000
<b>Non-current assets</b>				
Negative goodwill arising from the acquisition of RRI Ltd	3a	(11,011)	11,011	-
Fixed assets		561,401	-	561,401
Investments	3e	5,605	33,401	39,006
Investment in joint venture		10,709	-	10,709
		<u>566,704</u>	<u>44,412</u>	<u>611,116</u>
<b>Endowment assets</b>	3e	35,024	(35,024)	-
<b>Current assets</b>				
Stock		339	-	339
Trade and other receivables		34,138	-	34,138
Investments	3e	14,943	(13,607)	1,336
Cash and cash equivalents	3e	1,313	15,232	16,545
		<u>50,733</u>	<u>1,625</u>	<u>52,358</u>
<b>Less: Creditors – amounts falling due within one year</b>	2, 3c	(55,705)	(9,149)	(64,854)
<b>Net current liabilities</b>		(4,972)	(7,524)	(12,496)
<b>Total assets less current liabilities</b>		596,756	1,864	598,620
<b>Creditors: amounts falling due after more than one year</b>	2	(65,657)	(94,736)	(160,393)
<b>Provisions (including net pension liability)</b>	3b	(31,465)	(15,271)	(46,736)
<b>Total net assets</b>		<u>499,634</u>	<u>(108,143)</u>	<u>391,491</u>
<b>Deferred capital grants</b>	2	131,736	(131,736)	-
<b>Restricted reserves</b>				
Endowment reserve		35,024	-	35,024
<b>Unrestricted reserves</b>				
Income and expenditure reserve	2	92,759	59,164	151,923
Revaluation reserve	3d	240,115	(35,571)	204,544
		<u>332,874</u>	<u>23,593</u>	<u>356,467</u>
<b>Total funds</b>	1	<u>499,634</u>	<u>(108,143)</u>	<u>391,491</u>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 31. Transition to FRS102 and 2015 SORP - continued

#### 4) Balance Sheet reconciliations - continued

Consolidated – 31 July 2015	Transition notes	Old SORP £000	Effect of Transition £000	New SORP £000
<b>Non-current assets</b>				
Negative goodwill arising from the acquisition of RRI Ltd	3a	(10,704)	10,704	-
Fixed assets		572,099	-	572,099
Investments	3e	6,509	37,046	43,555
Investment in joint venture		10,663	-	10,663
		<u>578,567</u>	<u>47,750</u>	<u>626,317</u>
<b>Endowment assets</b>	3e	37,994	(37,994)	-
<b>Current assets</b>				
Stock		289	-	289
Trade and other receivables		38,184	-	38,184
Investments	3e	6,177	(4,821)	1,356
Cash and cash equivalents	3e	1,631	5,770	7,401
		<u>46,281</u>	<u>949</u>	<u>47,230</u>
<b>Less: Creditors – amounts falling due within one year</b>	2, 3c	(57,179)	(10,091)	(67,270)
<b>Net current liabilities</b>		(10,898)	(9,142)	(20,040)
<b>Total assets less current liabilities</b>		605,663	614	606,277
<b>Creditors: amounts falling due after more than one year</b>	2	(74,104)	(93,030)	(167,134)
<b>Provisions (including net pension liability)</b>	3b	(34,093)	(28,523)	(62,616)
<b>Total net assets</b>		<u>497,466</u>	<u>(120,939)</u>	<u>376,527</u>
<b>Deferred capital grants</b>	2	130,000	(130,000)	-
<b>Restricted reserves</b>				
Endowment reserve		37,994	-	37,994
<b>Unrestricted reserves</b>				
Income and expenditure reserve	2	94,009	45,761	139,770
Revaluation reserve	3d	235,463	(36,700)	198,763
		<u>329,472</u>	<u>9,061</u>	<u>338,533</u>
<b>Total funds</b>	1	<u>497,466</u>	<u>(120,939)</u>	<u>376,527</u>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 31. Transition to FRS102 and 2015 SORP - continued

##### 4) Balance Sheet reconciliations - continued

University - 1 August 2014	Transition notes	Old SORP £000	Effect of Transition £000	New SORP £000
<b>Non-current assets</b>				
Fixed assets		545,446	-	545,446
Investments	3e	15,972	33,401	49,373
		<u>561,418</u>	<u>33,401</u>	<u>594,819</u>
<b>Endowment assets</b>	3e	35,024	(35,024)	-
<b>Current assets</b>				
Stock		337	-	337
Trade and other receivables		30,732	-	30,732
Investments	3e	13,937	(12,601)	1,336
Cash and cash equivalents	3e	790	14,226	15,016
		<u>45,796</u>	<u>1,625</u>	<u>47,421</u>
<b>Less: Creditors – amounts falling due within one year</b>		(55,714)	(9,149)	(64,863)
<b>Net current liabilities</b>	2, 3c	(9,918)	(7,524)	(17,442)
<b>Total assets less current liabilities</b>		586,524	(9,147)	577,377
<b>Creditors: amounts falling due after more than one year</b>		(65,657)	(94,736)	(160,393)
<b>Provisions (including net pension liability)</b>	2	(31,465)	(15,271)	(46,736)
<b>Total net assets</b>	3b	<u>489,402</u>	<u>(119,154)</u>	<u>370,248</u>
<b>Deferred capital grants</b>	2	131,736	(131,736)	-
<b>Restricted reserves</b>				
Endowment reserve		35,024	-	35,024
<b>Unrestricted reserves</b>				
Income and expenditure reserve	2	88,748	44,775	133,523
Revaluation reserve	3d	233,894	(32,193)	201,701
		<u>322,642</u>	<u>12,582</u>	<u>335,224</u>
<b>Total funds</b>	1	<u>489,402</u>	<u>(119,154)</u>	<u>370,248</u>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 31. Transition to FRS102 and 2015 SORP - continued

#### 4) Balance Sheet reconciliations - continued

University – 31 July 2015	Transition notes	Old SORP £000	Effect of Transition £000	New SORP £000
<b>Non-current assets</b>				
Fixed assets		556,581	-	556,581
Investments	3e	16,876	37,046	53,922
		<u>573,457</u>	<u>37,046</u>	<u>610,503</u>
<b>Endowment assets</b>	3e	37,994	(37,994)	-
<b>Current assets</b>				
Stock		289	-	289
Trade and other receivables		38,244	-	38,244
Investments	3e	5,169	(3,813)	1,356
Cash and cash equivalents	3e	987	4,762	5,749
		<u>44,689</u>	<u>949</u>	<u>45,638</u>
<b>Less: Creditors – amounts falling due within one year</b>		(57,181)	(10,091)	(67,272)
<b>Net current liabilities</b>	2, 3c	(12,492)	(9,142)	(21,634)
<b>Total assets less current liabilities</b>		598,959	(10,090)	588,869
<b>Creditors: amounts falling due after more than one year</b>		(74,104)	(93,030)	(167,134)
<b>Provisions (including net pension liability)</b>	2	(34,093)	(28,523)	(62,616)
<b>Total net assets</b>	3b	<u>490,762</u>	<u>(131,643)</u>	<u>359,119</u>
<b>Deferred capital grants</b>	2	130,000	(130,000)	-
<b>Restricted reserves</b>				
Endowment reserve		37,994	-	37,994
<b>Unrestricted reserves</b>				
Income and expenditure reserve	2	93,200	31,854	125,054
Revaluation reserve	3d	229,568	(33,497)	196,071
		<u>322,768</u>	<u>(1,643)</u>	<u>321,125</u>
<b>Total funds</b>	1	<u>490,762</u>	<u>(131,643)</u>	<u>359,119</u>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 31. Transition to FRS102 and 2015 SORP – continued

#### 5) Comprehensive Income reconciliation

##### Year ended 31 July 2015 - Consolidated

Income	Transition notes	Old SORP £000	STRGL Items £000	Effect of Transition £000	New SORP £000
Tuition fees and educational contracts	6a	52,070	-	(5,266)	46,804
Funding body grants		80,277	-	-	80,277
Research grants and contracts	6b, 6c	62,844	-	(350)	62,494
Other income	6a, 6b, 6c, 6d	39,600	-	(1,482)	38,118
Endowment and investment income	6h	949	-	(111)	838
<b>Total income before endowments and donations</b>		<b>235,740</b>	<b>-</b>	<b>(7,209)</b>	<b>228,531</b>
Endowments and donations	6g	934	116	-	1,050
<b>Total income</b>		<b>236,674</b>	<b>116</b>	<b>(7,209)</b>	<b>229,581</b>
<b>Expenditure</b>					
Staff costs	6e, 6f	142,812	-	13,267	156,079
Fundamental restructuring costs		3,481	-	-	3,481
Other operating expenses	6a	76,244	-	(5,988)	70,256
Depreciation		18,017	-	-	18,017
Interest and other finance costs	6e, 6h	2,352	-	1,573	3,925
<b>Total expenditure</b>		<b>242,906</b>	<b>-</b>	<b>8,852</b>	<b>251,758</b>
<b>(Deficit) before other gain/(losses) and share of operating surplus/(deficit) of joint venture</b>		<b>(6,232)</b>	<b>116</b>	<b>(16,061)</b>	<b>(22,177)</b>
Gain on disposal of fixed assets		4,340	-	-	4,340
Unrealised (loss) on revaluation of fixed assets		-	(178)	-	(178)
Gain on non-current investments		-	4,711	-	4,711
Share of operational (deficit) in joint venture		(46)	-	-	(46)
<b>(Deficit)/surplus before tax</b>		<b>(1,938)</b>	<b>3,117</b>	<b>(14,529)</b>	<b>(13,350)</b>
Taxation		(568)	-	-	(568)
<b>(Deficit)/surplus for the year</b>		<b>(2,506)</b>	<b>3,117</b>	<b>(14,529)</b>	<b>(13,918)</b>
Actuarial loss in respect of pension schemes	6h	-	(1,046)	-	(1,046)
<b>(Deficit)/surplus for the year</b>		<b>(2,506)</b>	<b>2,071</b>	<b>(14,529)</b>	<b>(14,964)</b>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 31. Transition to FRS102 and 2015 SORP – continued

#### 5) Comprehensive Income reconciliation - continued

#### Year ended 31 July 2015 - University

Income	Transition notes	Old SORP £000	STRGL Items £000	Effect of Transition £000	New SORP £000
Tuition fees and educational contracts	6a	52,070	-	(5,266)	46,804
Funding body grants		80,277	-	-	80,277
Research grants and contracts	6b, 6c	62,844	-	(350)	62,494
Other income	6a, 6b, 6c, 6d	39,293	-	(1,175)	38,118
Endowment and investment income	6h	946	-	(111)	835
<b>Total income before endowments and donations</b>		<b>235,430</b>	<b>-</b>	<b>(6,902)</b>	<b>228,528</b>
Endowments and donations	6g	3,834	116	-	3,950
<b>Total income</b>		<b>239,264</b>	<b>116</b>	<b>(6,902)</b>	<b>232,478</b>
<b>Expenditure</b>					
Staff costs	6e, 6f, 6h	142,812	-	13,267	156,079
Fundamental restructuring costs		3,481	-	-	3,481
Other operating expenses	6a	75,704	-	(5,988)	69,716
Depreciation		17,559	-	-	17,559
Interest and other finance costs	6e, 6h	2,352	-	1,573	3,925
<b>Total expenditure</b>		<b>241,908</b>	<b>-</b>	<b>8,852</b>	<b>250,760</b>
<b>(Deficit) before other gain/(losses) and share of operating surplus/(deficit) of joint venture</b>		<b>(2,644)</b>	<b>116</b>	<b>(15,754)</b>	<b>(18,282)</b>
Gain on disposal of fixed assets		4,059	-	-	4,059
Unrealised (loss) on revaluation of investment properties		-	(3)	-	(3)
Gain on non-current investments		-	4,711	-	4,711
<b>Surplus/(deficit) before tax</b>		<b>1,415</b>	<b>4,824</b>	<b>(15,754)</b>	<b>(9,515)</b>
Taxation		(568)	-	-	(568)
<b>Surplus/(deficit) for the year</b>		<b>847</b>	<b>4,824</b>	<b>(15,754)</b>	<b>(10,083)</b>
Actuarial loss in respect of pension schemes		-	(1,046)	-	(1,046)
<b>Surplus/(deficit) for the year</b>		<b>847</b>	<b>3,778</b>	<b>(15,754)</b>	<b>(11,129)</b>

## Notes to the Financial Statements continued

### Year ended 31 July 2016

#### 31. Transition to FRS102 and 2015 SORP – continued

##### 6) Explanation of adjustments to Comprehensive Income – Consolidated and University

The effect on the reported surpluses/(deficits) of the implementation of FRS102 are as follows:

##### a. Fee waivers

Where fees have been reduced by waivers, the relevant income classification has been reduced by the value of the award and shown net of the discount. Previously waivers were accounted for on a gross basis as expenditure and not deducted from income. The adjustments in respect of waivers are:

	2015 £000
Tuition fees and educational contracts	5,265
Other income (student accommodation fees)	721
	<u>5,986</u>

##### b. Deferred capital grants released

Capital grants received from non-government sources must be accounted for using the performance conditions method under FRS102. As a result all deferred capital grants from these sources were transferred to the income and expenditure reserve on the date of transition. Under the 2007 SORP, deferred capital grants from non-government sources would have been released as follows:

Research grants and contracts	898
Other income	1,062
	<u>1,960</u>

##### c. Capital grants recognised

Capital grants from non-government sources that would previously have been deferred amount to:

Research grants and contracts	548
Other income	608
	<u>1,156</u>

##### d. Negative goodwill released – Consolidated only

Negative goodwill was transferred to the income and expenditure reserve as part of the transition to FRS102. Recognition of negative goodwill released to income under the 2007 SORP would have been:

Release in respect of depreciation charges	<u>307</u>
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##### e. USS pension scheme liability

Recognition of the USS pension scheme liability has resulted in the following movements:

Staff Costs	12,800
Interest Costs	451
	<u>13,251</u>

##### f. Holiday pay accrual

Adjustment in respect of untaken annual leave	<u>167</u>
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**Notes to the Financial Statements continued**  
**Year ended 31 July 2016**

**31. Transition to FRS102 and 2015 SORP – continued**

**6) Explanation of adjustments to Consolidated Comprehensive Income - continued**

**g. Endowment income**

New endowments previously recognised via STRGL

**2015**  
**£000**

**116**

**h. Other pension scheme adjustments**

FRS102 changes the calculation of interest for pension scheme liabilities. The calculation no longer includes a separate interest cost and expected return on liabilities. Interest is now reported as a net expense and is calculated on the net defined liability at the start of the year. Although there is no change to the reported deficit, the 2015 analysis has changed as follows:

	<b>Old SORP</b> <b>£000</b>	<b>Effect of</b> <b>Transition</b> <b>£000</b>	<b>New</b> <b>SORP</b> <b>£000</b>
Investment income	111	(111)	-
Staff costs	(161)	(300)	(461)
Interest charges	-	(1,121)	(1,121)
Actuarial loss on pension schemes	(2,578)	1,532	(1,046)

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## Glossary

<b>AHRC</b>	Arts and Humanities Research Council
<b>ARMA Award</b>	Association of Research Managers and Administrators Award for outstanding collaboration
<b>ASV</b>	Aberdeen Sports Village
<b>Athena SWAN</b>	Charter to encourage and recognise commitment to advancing the careers of women in science, technology, engineering, maths and medicine (STEMM) employment in higher education and research
<b>Audit Committee</b>	Provides advice to the Court on the effectiveness of the University's procedures for audit, financial control, governance and risk management, and provides assurances in these key areas through its annual report to the Scottish Funding Council, which is approved by Court
<b>Aurora Network</b>	Network of nine European universities with similar missions to our own who will work together to enhance education, the student experience and research
<b>BBSRC</b>	Biotechnology and Biological Sciences Research Council
<b>CMI Pension Mortality projections</b>	Continuous Mortality Investigation – The CMI provides authoritative and independent mortality and sickness rate tables for UK life insurers and pension funds
<b>Converge Challenge</b>	Recognises excellence in new business
<b>EPSRC</b>	Engineering and Physical Sciences Research Council
<b>ESRC</b>	Economic and Social Research Council
<b>Excellence in Diversity Awards</b>	Recognises and honours organisations for harnessing a truly diverse workforce

<b>Explorathon</b>	University organised event that brought together members of the public and researchers
<b>FRS102</b>	Financial Reporting Standard – single set of accounting standards developed by the Financial Reporting Council (FRC) that has replaced UK GAAP
<b>General Council</b>	Established by the Universities (Scotland) Act 1858 and consists of graduates and certain academic staff
<b>The Group</b>	Comprises the University of Aberdeen and the Rowett Research Institute Ltd.
<b>Governance and Nominations Committee</b>	To advise Court on matters of governance and conduct reviews of the University's governance on its behalf
<b>HESA</b>	Higher Education Statistics Agency – agency for the collection, analysis and dissemination of quantitative information about higher education in the UK
<b>KPIs</b>	Key Performance Indicators – a measurable value that demonstrates how effectively an organisation is achieving key objectives
<b>May Festival</b>	University organised event that welcomed over 13,000 people to 150 events
<b>MyCurriculum and MyTimetable</b>	Our online systems whereby students can choose their courses and see their timetable in the comfort of their own homes
<b>MRC</b>	Medical Research Council
<b>National Student Survey</b>	Survey aimed at final-year undergraduates that gathers opinions about their experience of their courses

<b>NERC</b>	Natural Environment Research Council
<b>NHSSS</b>	National Health Service Superannuation Scheme (UK)
<b>No Bystanders pledge</b>	University pledge against bullying and harassment
<b>OneSource</b>	University's integrated corporate system
<b>Operating Board</b>	To integrate academic, financial, estate and human resources planning and policy making, advising Court and Senate on long-term strategic objectives; and to oversee the operational performance of the University
<b>OSCR</b>	Office of the Scottish Charity Regulator – independent regulator and registrar of Scottish charities
<b>'Passivhaus'</b>	'Passivhaus' buildings consume very little energy for heating or cooling
<b>Pension Mortality Tables - SINA ["light"] YoB</b>	Standard Year of Birth mortality tables used for USS pension scheme. Tables are based on Normal Health pensioners
<b>Project SEARCH</b>	One Year Internship programme supporting young people with additional needs to gain skills and experience to go on to employment
<b>RDEC</b>	Research and Development Expenditure Credit – a UK tax incentive designed to encourage large organisations to invest in research and development
<b>Remuneration Committee</b>	To advise Court on matters relating to the pay and conditions of senior staff
<b>Research Excellence Framework</b>	System for assessing the quality of research in UK higher education institutions
<b>RESAS</b>	Scottish Government's Rural and Environmental Sciences and Analytical Services Division

<b>Risk Management Framework</b>	Conforms to globally recognised standards in risk management and widely accepted best practice
<b>Scottish Funding Council (SFC)'s Financial Memorandum</b>	Sets out the formal accountability relationship between the SFC and institutions, and the requirements with which institutions are expected to comply in return of payment of grant by SFC
<b>Statement of Intent on Diversity</b>	Adopted by Court within its membership, which includes a goal of achieving and maintaining female representation of a minimum of 25%, with aspirations to achieve 50% over the longer term
<b>Senate</b>	Responsible for the regulation and superintendence of teaching and for the promotion of research
<b>SPF</b>	Strathclyde Pension Fund
<b>STFC</b>	Science and Technology Facilities Council
<b>Stonewall Workplace Equality Index</b>	Evidence-based benchmarking tool used by employers to assess their achievements and progress on LGBT equality in the workplace
<b>Strategic Business Ventures Group</b>	A sub-committee of the Operating Board. It oversees, monitors and co-ordinates activities in support of the University's spin-out and subsidiary companies
<b>Strategic Plan 2015-20</b>	Outlines the University's priorities for the next five years
<b>STRGL</b>	Statement of Total Recognised Gains and Losses
<b>STSS</b>	Scottish Teachers' Superannuation Scheme
<b>UASLAS</b>	University of Aberdeen Superannuation & Life Assurance Scheme

**UK GAAP**

UK Generally Accepted Accounting Principles

**University Court**

The executive governing body of the University that is charged with the administration and management of the revenue and property of the University

**USS**

Universities' Superannuation Scheme

**2015 FE HE SORP**

Statement of Accounting Practice - Accounting for Further and Higher Education

Annual Report &  
*Accounts*  
2016

[www.abdn.ac.uk](http://www.abdn.ac.uk)

Scottish Charity Number SC013683

