

July 2004

Annual Report and Financial Statement for the year ended 31 July 2004



UNIVERSITY
of
ABERTAY DUNDEE

University of Abertay Dundee

Annual report and financial statements

31 July 2004

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Report of the Convenor of the Finance, Personnel & General Purposes Committee

Scope of the Financial Statements

The Financial Statements presented on pages 15 to 34 comprise the financial results of the University of Abertay Dundee for the year to 31 July 2004.

Results for the Year

The results for the year to 31 July 2004 are summarised as follows:

	2004 £000	2003 £000
Income	30,649	29,738
Expenditure	30,546	29,689
	<hr/>	<hr/>
Surplus for the year before exceptional items	103	49
Exceptional Restructuring Costs	-	(1,689)
Profit/(loss) on disposal of fixed assets	136	(2,301)
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Surplus/(deficit) for the year after exceptional items	239	(3,941)
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The Committee is satisfied with the financial performance of the University and notes the profit that has arisen on the disposal of a residential property in Perth Road.

Investment Performance

The Committee notes that the capital value of listed investments held by the University has fallen by 1.86% in the year but is satisfied with this position given the trading conditions that have prevailed.

Report of the Convenor of the Finance, Personnel & General Purposes Committee *(continued)*

Cash Flow

The Cash Flow Statement shows that there was a net cash outflow of £474,000 during the year. This arose largely due to significant expenditure on the Student Centre which is under the course of construction.

Creditor Payment Policy

The University aims to pay all invoices from creditors within 30 days of the date of the invoice. In line with the CBI prompt payment policy, at the end of the financial year the proportion of trade creditors compared with aggregate amounts invoiced during the year was equivalent to 19.4 days. (2003-23.7 days)

Future Developments

The University of Abertay Dundee plans to continue to develop the range and quality of its academic and research provisions. It also remains committed to widening access.

The University is aware of the continuing requirement to review and revise the courses that it offers in order to maintain a vibrant, attractive and cost effective portfolio. During the year to 31 July 2004 the University continued to review its academic portfolio and associated staffing and support establishments. This resulted in a restructuring exercise in the School of Computing and Advanced Technologies and a further reduction in the resources committed to the academic provision of Engineering courses.

The University continues to develop its position as a “city centre” based campus and will continue to maintain and develop its estates and to strengthen its links with Dundee City Council. During the year to 31 July 2004 we continued the development of our new Student Centre which will be completed early in 2005. During the summer of 2004 we also completed the redevelopment of areas of our Bell Street building that were required to enable us to relocate remaining academic provisions out of Marketgait into Bell Street. During the year to 31 July 2004 we also started to work on the design of new student residential accommodation for the University at Parker Street. The completion of this development together with associated pedestrianisation works in Bell Street will contribute significantly towards the creation of a campus feel in the city centre.

The University anticipates that it will continue to expand its population of overseas students and to seek to diversify its operations and has been working closely with Scottish Enterprise Tayside on its plans for this area of its activities.

Employment Policy

Equal Opportunities

The University is committed to equal opportunities both as an employer and in the provision of education. As an employer its aim is to ensure that all employees are recruited on the basis of ability and the requirements of their posts and that they are employed and retained in a non-discriminatory manner.

Employment of Disabled Persons

The University employs disabled persons and gives full consideration to applications for employment by disabled persons, bearing in mind the aptitudes of the applicants. It provides facilities for disabled persons wherever possible, makes special arrangements to safeguard their health and safety at work, and seeks to ensure that the training and development of disabled persons so far as is possible is identical with that of other employees. In the event of existing employees becoming disabled every effort is made to ensure that their employment with the University continues and that appropriate training is arranged.

Report of the Convenor of the Finance, Personnel & General Purposes Committee *(continued)*

Disabled Students

The University welcomes applications from suitably qualified candidates, regardless of any physical or sensory disability. Students with special needs are encouraged to contact the University's Special Needs Adviser in advance of application to discuss the practical implications of studying at the University.

Employee Involvement

The University uses a wide variety of means to communicate with its employees. Court and Senate make their papers (other than those relating to reserved areas of business) freely available, and policy decisions are communicated to all concerned through the appropriate channels. Formal and informal machinery is maintained for consulting unions and staff who do not belong to a union, and opportunities exist within the School and Service structure for formal and informal participation. Internally, electronic media including the University Intranet and an electronic newsletter are also used to facilitate communication.

Conclusion

Overall, the University remains in a position of financial strength, which mirrors its academic achievements. This has been achieved through the efforts of all the University's staff: academic, research, administrative and technical. Court will wish to join me in thanking them all for their continued efforts.

Ian Ivory
Convenor,
Finance, Personnel & General Purposes Committee

17 December 2004

Corporate governance statement

The University Court is the governing body of the University. The composition, functions and powers of the Court are set out in the University of Abertay Dundee (Scotland) Order of Council 1994, which incorporates parts of the Dundee College of Technology Scheme 1975. Under the Order, the objects of the University are to provide education, undertake and carry out research, and make suitable and adequate provision for teaching, learning, scholarship and research.

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

As the Governing Body of the University, Court is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system 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 loss.

Court is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the period from the beginning of January 2000 up to the date of approval of the annual report and financial statements. This process is overseen by the Risk Management Committee of Court, is regularly reviewed by the Audit Committee of Court, and accords with the internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group.

Court comprises lay core members, co-opted members, *ex-officio* members and staff members. Lay core members have 'experience of industrial, commercial or employment matters or the practice of any profession' and remain an absolute majority, whilst the co-opted membership includes at least one person having experience in each of 'local government' and 'the provision of education'. Court has a total possible membership of 25 with 13 forming the lay core, 6 being co-opted, 3 being *ex officio* (Principal, Vice-Principal, President of the Students' Association) and 3 representing academic and non-academic staff.

The membership of Court for the year to 31 July 2004 was as follows:

Professor G Hewitt (Chairman)
Professor A Armstrong
Mr K G Cargill (from 01/01/04)
Mr R Doak (until 31/12/03)
Ms D Fisher (from 01/08/03 – 31/07/04)
Mr N Hawkins
Mr I E Ivory
Professor B King
Mr A Macmillan Douglas (from 01/01/04)
Mrs B Marr
Dr C J Miller
Mr R Nimmo (until 31/12/03)
Mr W A Spence
Sheriff K A Veal
Mr I R Wilson

Lady Fiona Fraser (Vice-Chair)
Mr T J Burness
Professor J Crawford
Mr D Douglas (from 01/01/04)
Mr P Guest (until 31/12/03)
Professor J R Hillman
Professor D Jones (until 31/12/03)
Miss T Lockhart (from 01/01/04)
Ms A F Markham
Mr I McMillan
Dr J J Morrow (from 01/01/04)
Mr R Rennet
Professor M T Swanston
Mrs A Wilson

Corporate governance statement *(continued)*

The Principal is the chief executive of the University with delegated powers to discharge the functions of Court relating to the management of the University and to discipline therein. Court holds at least five meetings a year and has formally constituted a number of Committees, all of which have clearly defined remits and the majority have a lay core member as Chair. The major Committees are: Audit Committee; Chairman's Committee, Estates & Campus Services Committee; Finance, Personnel & General Purposes Committee; Governance Committee; Health & Safety Committee; the Remuneration Committee and the Risk Management Committee. Court delegates to Senate its functions relating to the overall planning, co-ordination, development and supervision of the academic work of the University. Senate has formally constituted a number of committees, all of which have clearly defined remits. In respect of its strategic and development responsibilities, the main committee of Senate is Planning & Resources Committee.

The members of Planning & Resources Committee for the year to 31 July 2004 were:

<i>Professor B King (Chairman)</i>	<i>Professor M T Swanston (Vice-Chairman)</i>
<i>Mr D Angus (until 30/06/04)</i>	<i>Ms C Blake</i>
<i>Mr M Crowhurst (from 01/02/04)</i>	<i>Mr P Durrant</i>
<i>Dr L Elder</i>	<i>Ms D Fisher (from 01/08/03 – 31/07/04)</i>
<i>Dr C Fraser (from 27/03/04)</i>	<i>Mr P Henry</i>
<i>Ms C S Lamb</i>	<i>Mr I G Lloyd</i>
<i>Ms C MacEachen</i>	<i>Mr C Malone (from 01/01/04)</i>
<i>Professor J McLeod</i>	<i>Professor P F Martin</i>
<i>Professor I M Marshall (until 26/03/04)</i>	<i>Dr J Moir (until 31/12/03)</i>
<i>Mr J Nicholson</i>	<i>Professor J Palfreyman</i>
<i>Mr S Reid (until 31/12/03)</i>	<i>Ms J Stewart (until 31/07/04)</i>
<i>Mrs S Stewart</i>	<i>Professor N Terry</i>
<i>Professor I Young</i>	

The Estates & Campus Services Committee oversees all matters relating to the Estate Strategy and to the maintenance, review, development and renewal of the University's property, services, fixtures and estate. The members of the Estates & Campus Services Committee for the year to 31 July 2004 were:

<i>Mr N Hawkins (Chairman)</i>	<i>Mr D Angus (until 30/06/04)</i>
<i>Mr T J Burness</i>	<i>Mr K G Cargill (from 01/01/04)</i>
<i>Mr M Crowhurst (from 01/02/04)</i>	<i>Ms D Fisher (from 01/08/03 – 31/07/04)</i>
<i>Professor B King</i>	<i>Mr I G Lloyd</i>
<i>Ms C S Lamb</i>	<i>Dr J McGeorge</i>
<i>Mr I McMillan</i>	<i>Dr J Morrow (from 01/01/04)</i>
<i>Mr J Nicholson</i>	<i>Mr R Nimmo (until 31/12/03)</i>
<i>Professor M T Swanston</i>	

Corporate governance statement *(continued)*

The Finance, Personnel & General Purposes Committee oversees and supervises the receipt, expenditure and control of all revenues. It advises Court on all financial and personnel matters and on other matters affecting Court's interests which are not referred to any other Committee. The Committee also supervises and reviews the financial administration of Court. The members of Finance, Personnel & General Purposes Committee for the year to 31 July 2004 were:

Mr I E Ivory (Convenor)
Ms C Blake
Professor B King
Mr I G Lloyd
Ms A Markham
Mr R Rennet
Ms J Stewart
Mr I R Wilson

Professor A Armstrong (until 31/12/03)
Ms D Fisher (from 01/08/03 – 31/07/04)
Ms C S Lamb
Mr A Macmillan Douglas (from 01/01/04)
Dr J J Morrow (from 01/01/04)
Mr W A Spence
Professor M T Swanston

Court has constituted a Business Development Sub-Committee of the Finance, Personnel & General Purposes Committee, which pays particular attention to matters concerning the governance of related companies. The members of the Business Development Sub-Committee for the year to 31 July 2004 were:

Mr I E Ivory (Chairman)
Mr R Doak (until 31/12/03)
Professor B King
Professor M T Swanston
Mr I R Wilson

Professor A Armstrong (until 31/12/03)
Mr P Durrant
Ms C S Lamb
Professor N Terry

Audit Committee advises Court on all audit related matters and assists Court in ensuring the discharge of its responsibilities for proper financial management. It is also responsible for the effectiveness of the internal control and management systems, and for the efficiency and effectiveness of the University's financial activities. In carrying out those duties the Audit Committee has regard to the requirements of the Code of Audit Practice issued by Scottish Higher Education Funding Council. The members of the Audit Committee for the year to 31 July 2004 were:

Mr P D Guest (Chairman until 31/12/03) *Professor A Armstrong (Chairman from 01/01/04)*
Professor J R Hillman *Lady Fiona Fraser*
Mr R Quentin Lucas (external member) *Sheriff K A Veal*

Corporate governance statement *(continued)*

Chairman's Committee acts in the name of Court in cases of urgency, subject to any decision being reported to the next meeting of Court. It also acts as a Nominations Committee, considering recommendations for the appointment of lay and co-opted members to Court. The members of the Chairman's Committee for the year to 31 July 2004 were:

Professor G Hewitt (Chairman)
Mr N Hawkins
Professor B King

Lady Fiona Fraser (Vice-Chairman)
Mr I E Ivory
Professor M T Swanston

The Remuneration Committee is comprised of lay core members of Court and considers and determines the levels of salary and terms and conditions of service of the Operational Management Group. The members of the Remuneration Committee for the year to 31 July 2004 were:

Professor G Hewitt
Lady Fiona Fraser
Mr N Hawkins
Professor B King

Professor A Armstrong (from 01/01/04)
Mr P D Guest (until 31/12/03)
Mr I E Ivory

The Health & Safety Committee oversees all matters relating to the safety and occupational health of staff, students and other persons within the University environment. The members of the Health & Safety Committee for the year to 31 July 2004 were:

Ms C S Lamb (Chair)
Mr M Black
Mr T J Burness (from 01/02/04)
Miss A Dixon
Ms D Fisher (from 01/08/03 – 31/07/04)
Mr P D Guest (until 31/12/03)
Professor B King
Professor I M Marshall (until 26/03/04)
Professor J Palfreyman
Mr S Reid (until 31/12/03)
Ms A Scott
Mr W A Spence
Professor M T Swanston
Dr G Walker

Mr D Angus (until 30/06/04)
Mr G Burke
Dr P Collier
Dr L Elder
Dr C Fraser (from 26/03/04)
Ms J Illian
Mr I G Lloyd
Dr J McGeorge
Mr J Petrie
Dr S Reynolds (from 01/10/03)
Mr R Smith
Mr K Sturrock
Professor N Terry
Mrs E Watson

Corporate governance statement *(continued)*

The University Court would like to express its thanks to all those who have served on Court or as members of Committees of Court during the course of the year.

The University Court has reviewed the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks and considers that it complies with these in the majority of respects. The governing body has adopted a range of financial and non-financial performance measures related to the institution's strategic objectives. These will be monitored over the next year and published as appropriate. The areas in which our practice does not comply with the Good Practice Benchmarks are as follows:

- (i) The University Court has considered the SHEFC benchmarks, which suggest that members of Court should not be appointed or reappointed once they have attained the age of 65, and should not normally serve a consecutive period of more than nine years. However having considered the benchmark, the University Court has determined that it will continue to appoint and reappoint members until they have attained the age of 70 and will continue to permit members to serve a consecutive period which will not normally extend to more than twelve years. This is in line with the Governing Order of the University
- (ii) The governing body is not represented on the board of directors of related companies by independent lay members of the governing body but it is represented on the Business Development Sub-Committee, which has oversight of the governance and management of related companies.

Good practice suggests that governing bodies should review their effectiveness and compliance with good practice in corporate governance on a regular periodic basis. Court has therefore appointed a Governance Committee that will carry out a review during session 2004/2005 of Court's effectiveness and of its current practice against sector-wide expectations relating to corporate governance, and in particular the forthcoming publication of the findings of the CUC Governance Working Group. It will also review the current performance measures used by Court and make appropriate recommendations for their amendment and subsequent publication.

Responsibilities of the University Court

In accordance with the Further and Higher Education (Scotland) Act 1992, the Court of the University of Abertay Dundee is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The 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 Statement of Recommended Practice: Accounting for Further and Higher Education Institutions, The Further and Higher Education (Scotland) Act 1992, Scottish Office Education Department Accounts Direction and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Higher Education Funding Council and the Court of the University of Abertay Dundee, the University Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Court has to ensure 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;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Court has a responsibility to:

- ensure that funds from the Scottish Higher Education 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 hence to take reasonable steps to prevent and detect fraud;
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure.

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

- n clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- n a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- n regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- n 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 the Court
- n comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and General Purposes Committee
- n a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Court. The Internal Audit team provides a report of internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

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



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Report of the External Auditors to the Court of the University of Abertay Dundee

We have audited the financial statements on pages 12 to 34, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 12 to 14.

This report is made solely to the University Court as a body. Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them 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 and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Court and the External Auditors

The University Court is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Scottish Higher Education Funding Council and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with Statute and, where appropriate, with the Financial Memorandum with the Scottish Higher Education Funding Council.

We also report to you if in our opinion the Convenor's Report is not consistent with the financial statements, if the University has not kept proper accounting records, if the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We also, at the request of the University Court, review whether the statement on pages 4 to 8 reflects the University's compliance with the relevant provisions of the Combined Code specified for our review by the University Court, and we report if it does not.

We read the information contained in the Convenor's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Higher Education Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University Court in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.



37 Albyn Place
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Report of the External Auditors to the Court of the University of Abertay Dundee *(continued)*

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the University's affairs as at 31 July 2004 and of the excess of income over expenditure and cashflows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions
- income from the Scottish Higher Education Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received
- income has been applied in accordance with the Further and Higher Education (Scotland) Act 1992, relevant legislation of incorporation governing the University and, where appropriate, with the Financial Memorandum effective from 1 August 1996 with the Scottish Higher Education Funding Council.

KPMG LLP
Chartered Accountants
Registered Auditor

17 December 2004

Statement of principal accounting policies

Basis of Preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting in Further and Higher Education Institutions* and in accordance with applicable Accounting Standards. They conform to guidance published by the Scottish Higher Education Funding Council in guidance note HE/21/04.

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments and certain land and buildings for which a cost is not readily ascertainable, and on an accruals basis. The information provided in the financial statements conforms to the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and applicable Accounting Standards.

The Financial Statements of the University do not include those of the University of Abertay Dundee Students' Association on the basis that the University has no significant influence over the Association's policy decisions.

Fixed Assets, Capital Grants and Depreciation

Land and buildings are stated at cost or 1994 valuation.

The basis of valuation is depreciated replacement cost and the valuation on 31 July 1994 was performed by Graham & Sibbald, Chartered Surveyors.

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the costs of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Following the introduction of FRS15, the University has followed the transitional arrangements to retain the net book value of land and buildings which were revalued in 1994, and does not intend to carry out regular revaluations of these assets in the future. The main element of the cost of the buildings capitalised was funded from grants provided mostly by government and a Capital and Revaluation reserve has been created for these amounts which will be released to income over the expected useful life of these assets. Grants in relation to subsequent land and buildings purchases are treated as deferred capital grants and released to income over the expected useful life of the land and buildings.

Equipment, furniture and coherent packages of equipment costing £10,000 or more have been capitalised and depreciation charged in accordance with agreed rates. Any related grants are treated as deferred capital grants and released to income over the expected useful life of the equipment.

Straight-line depreciation has been provided from 1 August 1994 at the following rates:

Buildings	1 - 2% of cost or valuation
Equipment – general	20%
Equipment – computer/specialist	33%

The depreciation charged in respect of revalued buildings for the year to 31 July 2004 has been transferred from the Capital and Revaluation Reserve to the Income and Expenditure Account.

Statement of principal accounting policies *(continued)*

Maintenance of Premises

The University has a policy of carrying out routine corrective maintenance, which is charged to the Income and Expenditure Account as incurred. Major alterations, repair and/or maintenance works are met from recurrent grant.

Fixed Asset and Current Asset Investments

Fixed Asset Investments are included at cost, except where there is evidence of a permanent diminution in value.

Current Asset Investments, which are entirely in the form of listed securities, are included in the Balance Sheet at the lower of their original cost or net realisable value.

Endowment Asset Investments

The heritable property and investments that form part of Endowment Assets are included in the Balance Sheet at market value.

Recognition of Income

Income from Research Grants, Contracts and Other Services Rendered is included to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the expenditure incurred during the year and any related contributions towards overhead costs.

All income from short-term deposits and general endowment asset investments is credited to the Income and Expenditure Account in the period in which it is earned.

Recurrent grants from the Funding Council are recognised in the period in which they are received. Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the asset.

Leases

The University has no finance leases.

Rental costs under operating leases are charged annually to expenditure, as adjusted by an annual cost of living review.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Statement of principal accounting policies *(continued)*

Pension Schemes

The two principal pension schemes for the University staff are:

- (i) The Scottish Teachers Superannuation Scheme
- (ii) The Tayside Local Government Pensions Fund.

Amounts charged to the income and expenditure account are calculated with actuarial advice and represent a proper charge to cover the accruing liabilities on a continuing basis. The Funds are valued by actuaries as indicated in Note 25 on Pages 30-32.

Stock

Stocks of catering supplies and work in progress are valued at the lower of cost or net realisable value. Cost comprises materials and labour.

Cash Flows

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable if they are in practice available within 24 hours without penalty. Liquid resources comprise assets held as a readily disposable store of value. They include deposits, government securities and loan stock held as part of the University's treasury management activities.

Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

Income and expenditure account
for the year ended 31 July 2004

	<i>Note</i>	2004 £000	2003 £000
Income			
Funding Council grants	<i>1</i>	16,762	15,406
Tuition fees and education contracts	<i>2</i>	6,343	6,938
Research grants and contracts	<i>3</i>	1,518	1,981
Other operating income	<i>4</i>	5,651	4,912
Endowment and investment income	<i>5</i>	375	501
		<hr/>	<hr/>
Total income		30,649	29,738
		<hr/>	<hr/>
Expenditure			
Staff costs	<i>6</i>	18,610	18,999
Exceptional restructuring costs	<i>6</i>	275	1,689
Other operating expenses	<i>7</i>	10,822	9,845
Depreciation	<i>9</i>	839	845
		<hr/>	<hr/>
Total expenditure	<i>8</i>	30,546	31,378
		<hr/>	<hr/>
Surplus/(deficit) on continuing operations after depreciation of fixed assets		103	(1,640)
		<hr/>	<hr/>
Profit/(loss) on disposal of assets	<i>9</i>	136	(2,301)
		<hr/>	<hr/>
Surplus/(deficit) on continuing operations after depreciation of fixed assets and disposal of assets		239	(3,941)
		<hr/> <hr/>	<hr/> <hr/>

Note of historical cost surpluses and deficits

Surplus/(deficit) for the financial year	<i>19</i>	239	(3,941)
Adjustment to depreciation based on historical cost		108	120
Adjustment to loss on disposal based on historical cost		-	2,466
		<hr/>	<hr/>
		347	(1,355)
		<hr/> <hr/>	<hr/> <hr/>

Balance sheet
at 31 July 2004

	Note	£000	2004 £000	£000	2003 £000
Fixed assets					
Tangible assets	9		26,774		25,858
Investments	10		40		40
			<hr/>		<hr/>
Endowment asset investments	11		26,814		25,898
			648		566
Current assets					
Stocks and work in progress	12	2		74	
Debtors	13	5,519		4,912	
Investments	10	5,037		5,049	
Term deposits		216		234	
Cash at bank and in hand		-		418	
			<hr/>	<hr/>	
Creditors: amounts falling due within one year	14	10,774 (6,480)		10,687 (6,411)	
			<hr/>	<hr/>	
Net current assets			4,294		4,276
			<hr/>		<hr/>
Total assets less current liabilities			31,756		30,740
Creditors: amounts falling due after more than one year	15		(500)		-
Provisions for liabilities and charges	16		(1,539)		(1,539)
			<hr/>		<hr/>
Net assets			29,717		29,201
			<hr/> <hr/>		<hr/> <hr/>
Represented by:					
Deferred capital grants	17		5,686		5,468
Endowments					
Specific	18		648		566
Funds and reserves					
Capital and revaluation reserve	19	13,611		13,937	
General reserves	19	9,772		9,230	
			<hr/>	<hr/>	
			23,383		23,167
			<hr/>		<hr/>
Total funds			29,717		29,201
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by Court on 17 December 2004 and were signed on its behalf by:

Professor Bernard King
Principal & Vice-Chancellor

Professor Gordon Hewitt
Chairman, University Court

Mr Ian Ivory
Convenor, Finance Personnel
& General Purposes Committee

Cash flow statement
for the year ended 31 July 2004

	<i>Note</i>	2004 £000	2003 £000
Cash flow from operating activities	22	(331)	414
Returns on investments and servicing of finance			
Income from endowments		21	76
Income from current asset investments		240	88
Other interest received		33	201
Cash flow from returns on investments and servicing of finance		294	365
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		(2,019)	(1,282)
Receipts from sale of tangible fixed assets		690	170
Capital grants received		406	314
Endowments received		1	1
Endowments expenditure		(2)	-
Trust donation received		-	13
Business development allocation		(10)	-
Payments to acquire investments		-	(1)
Receipts from sale of fixed asset investments		-	7
Cash flow from investing activities		(934)	(778)
Management of liquid resources			
Sale of current asset investments		1,154	635
Purchase of current asset investments		(1,157)	(875)
Cash flow from management of liquid resources		(3)	(240)
Cash flow before financing		(974)	(239)
Financing			
New loan		500	-
Cash flow from financing		500	-
Decrease in cash	24	(474)	(239)

Statement of total recognised gains and losses
for the year ended 31 July 2004

	<i>Note</i>	2004 £000	2003 £000
Surplus/(deficit) after depreciation of assets and disposal of assets		239	(3,941)
Trust donation transferred from/taken to reserves	<i>19</i>	(13)	13
Business development allocation	<i>19</i>	(10)	-
New endowments	<i>18</i>	1	1
Endowment income retained for year	<i>18</i>	14	70
Appreciation of endowment asset investments	<i>18</i>	67	12
		<hr/>	<hr/>
Total recognised gains/(losses) relating to the year		298	(3,845)
		<hr/> <hr/>	<hr/> <hr/>
Opening reserves and endowments		23,733	27,578
Total recognised gains/(losses) relating to the year		298	(3,845)
		<hr/>	<hr/>
Closing reserves and endowments		24,031	23,733
		<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Grants from Scottish Higher Education Funding Council

	2004 £000	2003 £000
SHEFC Recurrent grant :		
Teaching Grant	15,010	14,107
Research Grant	554	367
Non-recurrent grants:		
Equipment	-	71
Strategic change grant	175	222
Other grants	886	460
Deferred capital grants released in year:		
Buildings (note 17)	90	93
Equipment (note 17)	47	86
	<hr/>	<hr/>
	16,762	15,406
	<hr/> <hr/>	<hr/> <hr/>

2 Tuition fees and education contracts

	2004 £000	2003 £000
UK student fees	3,581	4,118
EU student fees (excluding UK)	343	414
Non-EU student fees	2,083	1,427
Other fees	336	979
	<hr/>	<hr/>
	6,343	6,938
	<hr/> <hr/>	<hr/> <hr/>

3 Research grants and contracts

	2004 £000	2003 £000
Research councils	273	431
UK charities	152	37
UK government	756	843
UK industry	104	4
EU	115	285
Other	118	381
	<hr/>	<hr/>
	1,518	1,981
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

4 Other operating income

	2004 £000	2003 £000
Residences and catering	1,194	1,194
Other services rendered	2,838	2,082
Library trust rental income and service charges	1,619	1,636
	<hr/>	<hr/>
	5,651	4,912
	<hr/> <hr/>	<hr/> <hr/>

5 Endowment and investment income

	2004 £000	2003 £000
Income from endowment asset investments (note 18)	21	76
Income from current asset investments	240	88
Increase in value of current asset investments	-	136
Gain on disposal of current asset investments	81	-
Other interest receivable	33	201
	<hr/>	<hr/>
	375	501
	<hr/> <hr/>	<hr/> <hr/>

6 Staff numbers and costs

The average number of persons employed by the University during the year, expressed as full time equivalents, was:

	2004 Number	2003 Number
Senior management	10	12
Teaching staff	188	220
Teaching support	76	76
Research grants and contracts	58	48
Other support services	93	99
Admin and central services	99	103
Premises	38	37
Other income generating activities	14	15
Catering and residences	23	23
	<hr/>	<hr/>
	599	633
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

Staff costs for the above persons:

	2004 £000	2003 £000
Senior management	897	943
Teaching staff	8,322	10,704
Teaching support	1,803	1,648
Research grants and contracts	1,498	1,114
Other support services	2,494	2,318
Admin and central services	2,237	2,137
Premises	848	771
Other income generating activities	420	682
Catering and residences	366	371
	<hr/>	<hr/>
	18,885	20,688
	<hr/> <hr/>	<hr/> <hr/>

Classified as:

Wages and salaries	15,487	16,218
Social security costs	1,206	1,137
Other pension costs	1,917	1,644
	<hr/>	<hr/>
Exceptional restructuring costs	18,610 275	18,999 1,689
	<hr/>	<hr/>
	18,885	20,688
	<hr/> <hr/>	<hr/> <hr/>

Costs of higher-paid employees:

Remuneration paid to the Principal during the year including salary and other taxable benefits	155	145
Employer's contribution to pension	18	10
	<hr/>	<hr/>
	173	155
	<hr/> <hr/>	<hr/> <hr/>

Remuneration, excluding employer's contributions to National Insurance and superannuation schemes, paid to other staff:

£50,001 - £55,000	6	6
£55,000 - £60,000	6	-
£60,001 - £65,000	-	1
£65,001 - £70,000	1	1
£70,000+	2	3

Notes (continued)

7 Other operating expenses

	2004 £000	2003 £000
Residences and catering expenses	851	812
Equipment and consumables	1,480	1,424
Books and periodicals	405	461
Scholarships and prizes	21	76
Property costs including utilities	647	729
Repairs and general maintenance	482	224
University of Abertay Dundee Students' Association	165	165
External auditors' remuneration	27	28
Internal auditors' remuneration	27	38
Provision against cost of Fixed Asset Investments	-	27
Loss on disposal of Current Asset Investments	-	83
Diminution in value of Current Asset Investments	95	-
Payments to Library Trust for library services	1,914	1,838
Travel and staff training	729	527
Professional fees	570	417
Advertising, marketing and public relations	626	524
Administration costs	646	639
Other expenses	2,137	1,833
	<hr/>	<hr/>
	10,822	9,845
	<hr/> <hr/>	<hr/> <hr/>

8 Analysis of expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Total 2004 £000	Total 2003 £000
Academic departments	10,063		645	10,708	13,389
Academic services	2,121		3,085	5,206	5,290
Research grants and contracts	1,512		907	2,419	1,946
Residences and catering	290		851	1,141	1,092
Premises	1,188	839	1,388	3,415	2,988
Administration	3,181		2,291	5,472	4,032
Other expenses	530		1,655	2,185	2,641
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	18,885	839	10,822	30,546	31,378
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The depreciation charge has been funded by:

	2004 £000	2003 £000
Deferred capital grant released	188	179
Capital and revaluation reserve transferred	326	386
General income	325	280
	<hr/>	<hr/>
	839	845
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £000	Assets in course of construction £000	Short leasehold £000	General equipment £000	Computer specialist equipment £000	Total £000
Cost or valuation						
<i>At 1 August 2003</i>						
Valuation – 1994	16,370	-	20	-	-	16,390
Cost	11,231	1,334	-	1,482	1,421	15,468
Additions at cost	71	1,351	-	333	554	2,309
Disposals at cost	(651)	-	-	-	-	(651)
Transfer	486	(572)	-	86	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>At 31 July 2004</i>						
Valuation – 1994	16,370	-	20	-	-	16,390
Cost	11,137	2,113	-	1,901	1,975	17,126
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2004	27,507	2,113	20	1,901	1,975	33,516
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
<i>At 1 August 2003</i>						
Charge for year	3,575	-	5	1,070	1,350	6,000
Eliminated in respect of disposals	555	-	-	181	103	839
	(97)	-	-	-	-	(97)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2004	4,033	-	5	1,251	1,453	6,742
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 July 2004	23,474	2,113	15	650	522	26,774
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2003	24,026	1,334	15	412	71	25,858
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Buildings with a net book value of £13,600,000 and cost of £10,982,000 have been funded mostly from Treasury sources. Should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Higher Education Funding Council.

Buildings with a net book value of £554,000 have been disposed of in the year. The profit on disposal of £136,000 has been credited to the Income & Expenditure Account.

Notes (continued)

10 Fixed asset and current asset investments

	Unlisted £000
Fixed asset investments	
At beginning and end of year	40

Unlisted investments are included at cost less provision for permanent diminution in value. The cost of the above investments is £67,000, against which there is a provision of £27,000.

	2004 £000	2003 £000
Current asset investments – listed securities		
At beginning of year	5,049	4,756
Additions	1,157	875
Disposals	(1,074)	(718)
(Decrease)/increase in value	(95)	136
At end of year	5,037	5,049

The market value of the above current asset investments is £5,153,000 (2002/03 £5,233,000).

11 Endowment asset investments

	2004 £000	2003 £000
At beginning of year	566	483
Additions	1	1
Appreciation on disposals/revaluation (note 18)	67	12
Increase in cash balances	14	70
At end of year	648	566
At market value:		
Fixed interest stocks (listed)	16	17
Equities (listed)	194	200
Land and property	130	56
	340	273
Bank balances held by the University	308	293
At end of year	648	566

The land and property included above relates to a property that was donated to the University. This property was revalued at 31 July 2004 on the advice of a firm of chartered surveyors.

Notes (continued)

12 Stocks

	2004 £000	2003 £000
Refectory stock	2	5
Other stock	-	1
Work in progress	-	68
	<hr/>	<hr/>
	2	74
	<hr/> <hr/>	<hr/> <hr/>

Work in progress has been reclassified as accrued income and included in Debtors: amounts falling due within one year.

13 Debtors: amounts falling due within one year

	2004 £000	2003 £000
Debtors	2,086	2,023
Prepayments and accrued income	3,433	2,889
	<hr/>	<hr/>
	5,519	4,912
	<hr/> <hr/>	<hr/> <hr/>

14 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank overdraft	53	-
Trade creditors	331	463
Other creditors	1,930	2,001
Social security and other taxation payable	422	574
Accruals and deferred income	3,744	3,373
	<hr/>	<hr/>
	6,480	6,411
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

15 Creditors: amounts falling due after one year

	2004 £000	2003 £000
Bank loans	500	0

The above represents the amount drawn down to date on the bank loan of £3m which has been secured in order to part-finance the construction of the new Student Centre. Repayment of this loan will commence once the building is operational. The repayment period is 20 years from the final drawdown date and the interest rate is floating, linked to LIBOR. The finance costs in the year relating to this loan amount to £21,000, all of which have been capitalised.

16 Provisions for liabilities and charges

	2004 £000
At beginning and end of year	1,539

The provision is for enhanced pension benefits to former members of staff.

17 Deferred capital grants

	Funding Council £000	Other grants £000	Total £000
At beginning of year:			
Buildings	4,128	801	4,929
Equipment	111	428	539
Total	4,239	1,229	5,468
Cash received			
Buildings	-	-	-
Equipment	208	198	406
Total	208	198	406
Released to income and expenditure account:			
Buildings (note 1)	90	11	101
Equipment (note 1)	47	40	87
Total (note 8)	137	51	188
At end of year:			
Buildings	4,038	790	4,828
Equipment	272	586	858
Total	4,310	1,376	5,686

Notes (continued)

18 Endowments

	Specific £000
At beginning of year	566
Additions in year	1
Appreciation of endowment asset investments	67
Income for year (Note 5)	21
Expenses for year	(7)
	<hr/>
At end of year	648
	<hr/> <hr/>
Representing:	
Scholarship funds	31
Prize funds	155
Other funds	462
	<hr/>
	648
	<hr/> <hr/>

19 Funds and reserves

	Capital and Revaluation reserve £000	Income and expenditure account £000	General reserve £000	Total £000
At 1 August 2003	13,937	615	8,615	23,167
Surplus for year	-	239	-	239
Trust donation transferred	-	-	(13)	(13)
Business Development allocation	-	-	(10)	(10)
Capital transfer for year	(218)	218	-	-
Revaluation transfer for year	(108)	108	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2004	13,611	1,180	8,592	23,383
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 2002	16,789	1,704	8,602	27,095
Deficit for year	-	(3,941)	-	(3,941)
New trust donation	-	-	13	13
Disposal of fixed assets	(2,466)	2,466	-	-
Capital transfer for year	(266)	266	-	-
Revaluation transfer for year	(120)	120	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2003	13,937	615	8,615	23,167
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

20 Lease obligations

	2004 £000	2003 £000
<i>Commitments under non-cancellable operating leases expiring:</i>		
Land and buildings		
Within one year	15	42
Between two and five years	43	-
Over five years	190	233
	<hr/>	<hr/>
	248	275
	<hr/>	<hr/>
Equipment		
Within one year	9	53
Between two and five years	-	-
	<hr/>	<hr/>
	9	53
	<hr/>	<hr/>

21 Capital commitments

	2004 £000	2003 £000
Contracted but not provided for	3,649	4,923
	<hr/>	<hr/>

22 Reconciliation of operating surplus/(deficit) to net cash (outflow)/inflow from operating activities

	2004 £000	2003 £000
Surplus/(deficit) for the year	239	(3,941)
Interest receivable (note 5)	(294)	(365)
Depreciation charges	839	845
(Profit)/loss on disposal of tangible fixed assets	(136)	2,301
(Profit)/loss on disposal of current asset investments	(81)	83
Provision against cost of fixed asset investments	-	27
Diminution/(appreciation) in value of current asset investments	95	(136)
Net donated income retained in specific endowments	14	70
Trust donation transferred	(13)	-
Decrease in stock and work in progress	72	14
Increase in debtors	(607)	(13)
(Decrease)/increase in creditors	(271)	1,708
Release of deferred grant (note 17)	(188)	(179)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(331)	414
	<hr/>	<hr/>

Notes (continued)

23 Reconciliation of net cash flow to movement in net funds

	2004 £000	2003 £000
Decrease in cash in year	(474)	(239)
Cash used to increase liquid resources	3	157
Cash inflow from debt financing	(500)	-
	<hr/>	<hr/>
Change in net funds resulting from cash flows	(971)	(82)
Other non-cash change	(15)	136
	<hr/>	<hr/>
Movement in net funds in the year	(986)	54
Opening net funds	5,994	5,940
	<hr/>	<hr/>
Closing net funds	5,008	5,994
	<hr/> <hr/>	<hr/> <hr/>

24 Analysis of changes in net funds

	At 1 August 2003 £000	Cash flow £000	Other non-cash change £000	At 31 July 2004 £000
Cash in hand	418	(418)	-	-
Endowment assets (note 11)	293	15	-	308
Term deposits	234	(18)	-	216
Bank overdraft	-	(53)	-	(53)
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due after one year	945	(474)	-	471
Current asset investments	-	(500)	-	(500)
	5,049	3	(15)	5,037
	<hr/>	<hr/>	<hr/>	<hr/>
	5,994	(971)	(15)	5,008
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

25 Pension costs

The two principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme (STSS) and the Tayside Superannuation Fund (TSF). Both schemes are of a defined benefit type and are subject to independent actuarial valuations using the projected unit method. This determines the contribution rates payable by the University.

The latest actuarial valuation of the STSS received from the Scottish Public Pensions Agency (Formerly the Scottish Office Pensions Agency) is as at 31 March 1996. The valuation reveals assets of £6,890m and liabilities of £7,120m resulting in a deficit position of £230m. The valuation assumes that the rate of return will be 8.5% and that earnings will increase by 6.5% pa. From October 2003 the employers' contribution increased by 5.1 percentage points to 12.5%. The employees' contribution remained at 6%.

Because the University is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits', the above scheme will be accounted for by the University, when the accounting standard is fully adopted, as if the scheme were a defined contribution scheme.

The last actuarial valuation of the TSF (as at 31 March 2002), was based on assumptions of a nominal 6.2% return on investments, a 4.1% rate of increase in salaries and a 2.6% rate of increase in pensions. The valuation revealed a market value of assets of £927.0m. It also revealed liabilities of the fund of £956.2m, indicating a net deficit in funding of £29.2m. Employer contributions of 265% and 275% of employees' contributions were recommended from 1 April 2004 and 2005 respectively.

Whilst the University continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures in respect of the TSF pension scheme are required:

The valuation was updated by the actuary on an FRS 17 basis as at 31 July 2004, 31 July 2003 and 31 July 2002. The major assumptions used in this valuation were:

	2004	2003	2002
Rate of increase in salaries	4.4%	4.1%	3.9%
Rate of increase in pensions in payment	2.9%	2.6%	2.4%
Discount rate	5.7%	5.5%	6.0%
Inflation assumption	2.9%	2.6%	2.4%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

Notes (continued)

25 Pension costs (continued)

	Long term rate of return 2004 %	Value at 31 July 2004 £000	Long term rate of return 2003 %	Value at 31 July 2003 £000	Long term rate of return 2002 %	Value at 31 July 2002 £000
Equities	7.5	12,643	8.0	11,304	8.0	10,594
Gilts	5.0	2,841	5.0	2,644	5.5	2,376
Other bonds	5.75	438	5.0	-	-	-
Property	7.0	1,644	6.0	1,358	6.0	1,162
Cash	4.25	801	3.5	1,173	4.0	746
		<hr/>		<hr/>		<hr/>
Present value of scheme liabilities		18,367		16,479		14,878
		25,448		22,885		17,993
		<hr/>		<hr/>		<hr/>
Net pension liability		(7,081)		(6,406)		(3,115)
		<hr/>		<hr/>		<hr/>

The amount of this net pension liability would have a consequential effect on reserves.

Movement in deficit during the year:

	2004 £000	2003 £000
Deficit in scheme at beginning of year	(6,406)	(3,115)
Current service cost	(989)	(736)
Contributions paid	983	909
Other finance income	(97)	(2)
Settlements/curtailments	(10)	-
Actuarial loss	(562)	(3,462)
	<hr/>	<hr/>
Deficit in scheme at end of year	(7,081)	(6,406)
	<hr/>	<hr/>

If FRS 17 had been fully adopted in these financial statements the pension costs for this defined benefit scheme would have been:

Analysis of other pension costs charged in arriving at the deficit for the year:

	2004 £000	2003 £000
Current service cost	989	736
	<hr/>	<hr/>
	989	736
	<hr/>	<hr/>

Notes (continued)

25 Pension costs (continued)

Analysis of amounts included in other finance income:

	2004 £000	2003 £000
Expected return on pension scheme assets	1,173	1,078
Interest on pension scheme liabilities	(1,270)	(1,080)
	<u>(97)</u>	<u>(2)</u>

Analysis of amount recognised in statement of total recognised gains and losses:

	2004 %	2004 £000	2003 %	2003 £000
Actual return less expected return on scheme assets		305		(21)
Percentage of year end scheme assets	1.7		(0.1)	
Experience gains and losses arising on scheme liabilities		-		(525)
Percentage of present value of year end scheme liabilities	0.0		(2.3)	
Changes in assumptions underlying the present value of scheme liabilities		<u>(867)</u>		<u>(2,916)</u>
Actuarial loss recognised in statement of total Recognised gains and losses (representing 2.2% (2003 : 15.1%) of the present value of year end scheme liabilities)		<u>(562)</u>		<u>(3,462)</u>

In addition to the Pension Schemes outlined above the University has also given commitments over the years to provide enhanced pension benefits to staff members. A valuation of this commitment was carried out in July 2004. The valuation was based on assumptions of a 4% return on investments and a 3% rate of increase in pensions. The valuation revealed a total liability in respect of these enhanced pension arrangements of £1,519,000.

During the year to 31 July 2004 the total cost of these pension arrangements for the University was:

	2004 £000	2003 £000
STSS	790	538
TSF	972	887
USS	29	35
Enhanced pension payments	126	184
	<u>1,917</u>	<u>1,644</u>
Strain on funds payment TLGPF	-	86
Total pension cost	<u>1,917</u>	<u>1,730</u>

Notes (continued)

26 Hardship funds from Scottish Executive Education Department

	2004 £000	2003 £000
Hardship funds received	131	110
Bank interest accrued in year	1	1
	<hr/>	<hr/>
	132	111
Less payments to students	(133)	(111)
	<hr/>	<hr/>
Balance carried forward	(1)	0
	<hr/> <hr/>	<hr/> <hr/>

Funding council grants are available solely for the students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

27 Mature Students Bursary Fund from Scottish Executive Education Department

	2004 £000	2003 £000
MSBF funds received	219	111
Bank interest accrued in year	4	2
Other income	0	1
	<hr/>	<hr/>
	223	114
Less payments to students	(221)	(110)
	<hr/>	<hr/>
Balance carried forward	2	4
	<hr/> <hr/>	<hr/> <hr/>

The Mature Students Bursary Fund exists to target mature students with funding difficulties. Funding council grants are available solely for the students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Notes *(continued)*

28 Post balance sheet events

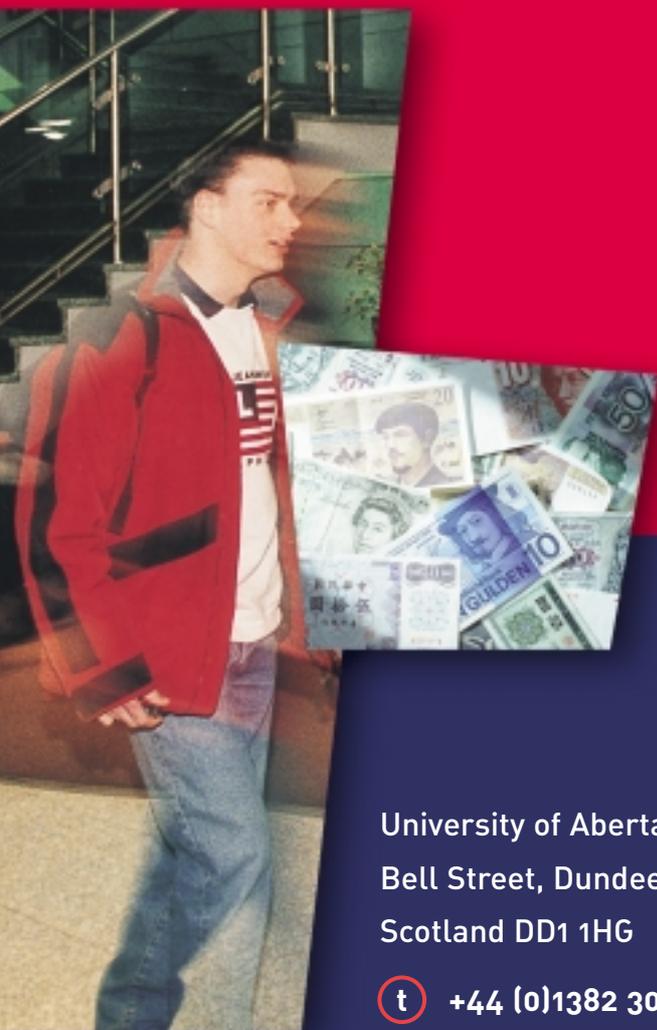
Since the end of the financial year in July 2004 there have been no significant post balance sheet events which would lead to adjustments or require disclosure within these accounts.

29 Related parties

The University of Abertay Dundee Library Trust falls within the definition of a related party by virtue of the fact that the Trustees of the University of Abertay Dundee Library Trust are appointed by the Court of the University of Abertay Dundee. During the year to 31 July 2004, the University of Abertay Dundee charged the University of Abertay Dundee Library Trust £1,619,248 in rental and service charges and were charged £1,914,468 by the University of Abertay Dundee Library Trust for library services. At the balance sheet date the University of Abertay Dundee owed an amount of £549 to the University of Abertay Dundee Library Trust.

Due to the nature of the University's operations and the composition of the University Court being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of University Court may have an interest. All transactions involving organisations in which a member of 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.

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