



UNIVERSITY
of
ABERTAY DUNDEE

Annual Report and Financial Statements for the year ended July 2005



Contents

Report by the Convenor of the Finance, Personnel & General Purposes Committee	1-3
Corporate governance	4-7
Responsibilities of the University Court	8
Independent auditors' report	9-10
Statement of principal accounting policies	11-13
Consolidated income and expenditure account	14
Note of historical cost surpluses and deficits	14
Balance sheet	15
Consolidated cash flow statement	16
Consolidated statement of total recognised gains and losses	17
Notes to the financial statements	18-34

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

Scope of the Financial Statements

The Financial Statements presented on pages 14 to 34 comprise the financial results of the University of Abertay Dundee for the year to 31 July 2005.

Results for the Year

The results for the year to 31 July 2005 are summarised as follows:

	2005	2004
	£000	
Income	33,388	30,649
Expenditure	33,281	30,546
	<hr/>	<hr/>
Surplus for the year before exceptional items	107	103
Exceptional Restructuring Costs	-	-
Profit/(loss) on disposal of fixed assets	(2,018)	136
	<hr/>	<hr/>
Surplus/(deficit) for the year after exceptional items	(1,911)	239
	<hr/> <hr/>	<hr/> <hr/>

The Committee is satisfied with the financial performance of the University for the year. It notes the loss on fixed assets which arose as a result of the transfer of the Student Centre building from the University to Abertay Student Centre Ltd on 31 July 2005. This transfer was designed to secure the financial viability of the operation of the Centre. The company is a wholly-owned subsidiary of the University: therefore, ultimate control of the asset remains with the University and it is retained in the Group Balance Sheet. The transfer was at market valuation rather than depreciated replacement cost and it is this which has created the loss on disposal, an accounting rather than a cash loss.

Investment Performance

The Committee notes that the capital value of listed investments held by the University has risen by 3.6% in the year, which is a welcome turnaround from the capital losses of recent years.

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 £405,000 during the year. This arose largely because of significant expenditure on the Student Centre, which was completed in June 2005. The construction has been partly funded through a bank loan.

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. During 2004/05 the University paid 66% of invoices within 30 days, with no penalty interest incurred (2004: 71%).

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 and enhancing the student experience.

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 2005 the University continued to review its academic portfolio and associated staffing and support establishments.

The University made progress in the development of its position as a “city centre” based campus and will continue to implement its estates strategy. June 2005 saw the opening of our new Student Centre, which promises to make a significant contribution both to the student experience and to the University community as a whole. We would like to record our thanks to the many donors who helped make this possible. We continue to work closely with Dundee City Council on identifying a suitable site for new student residential accommodation for the University. During the year, the Abertay Centre for the Environment was opened with funding from the European Development Fund.

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

16 December 2005

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, make suitable and adequate provision for such activities, and conduct the affairs of the University in ways that promote its objects.

The University is committed to exhibiting good 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, in the Turnbull Guidance on Internal Control (September 1999) and in the Committee of University Chairmen's (CUC) Guide for Members of Higher Education Governing Bodies in the UK (November 2004).

As the Governing Body of the University, Court is responsible for the University's system of internal control and for reviewing its effectiveness. The system is designed to fulfil the University's responsibilities related to accountability, transparency and value for money inherent in good corporate governance practice. It emphasises the effective management of risk, using well thought-out and controlled risk-taking, leading to improved delivery of the University's objects, proper regard for organisational development, and ensuring the institution's long-term sustainability. However, any such system can only provide reasonable and not absolute assurance against material misstatement or loss.

Court undertakes a continuous review of the process used by the University to identify, measure and manage its key risks. These risks comprise both business and financial risk and derive from operating in the environments comprising the higher education sector. The main depository for the identification, measurement and management of risk is the University's Risk Register. 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 2005 was as follows:

Professor G Hewitt (Chairman)
Professor A Armstrong
Mr K G Cargill
Dr D Douglas
Mr N Hawkins
Mr I E Ivory
Mr A Macmillan Douglas
Mrs B Marr (until 31/12/04)
Mr I McMillan
Dr J J Morrow
Mr W A Spence (until 31/12/04)
Ms T Lockhart (until 25/02/05)
Mr S Watt (from 01/01/05)
Mrs A Wilson

Lady Fiona Fraser (Vice-Chair)
Mr T J Burness
Professor J Crawford (until 31/12/04)
Professor K Gartland (from 01/01/05)
Professor J R Hillman
Professor B King
Ms A F Markham
Mr D McLaren (from 24/06/05)
Dr C J Miller
Mr R Rennet
Professor M T Swanston
Sheriff K A Veal
Mr J Weir
Mr I R 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 of which 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 2005 were:

<i>Professor B King (Chairman)</i>	<i>Professor M T Swanston (Vice-Chairman)</i>
<i>Ms C Blake</i>	<i>Mr G Burke</i>
<i>Mr P Durrant</i>	<i>Dr L Elder</i>
<i>Dr C Fraser</i>	<i>Mr P Henry (until 31/08/04)</i>
<i>Ms C S Lamb (until 31/10/04)</i>	<i>Mr I G Lloyd</i>
<i>Mr I Longair (from 01/03/05)</i>	<i>Ms C MacEachen</i>
<i>Professor M Malcolm (from 01/11/04)</i>	<i>Professor J McLeod</i>
<i>Professor P F Martin</i>	<i>Dr L Natanson (from 01/04/05 until 31/07/05)</i>
<i>Mr J Nicholson</i>	<i>Professor J Palfreyman</i>
<i>Mr I Simpson</i>	<i>Professor N Terry</i>
<i>Mr J Weir</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 2005 were:

<i>Mr N Hawkins (Chairman)</i>	<i>Mr T J Burness</i>
<i>Mr K G Cargill</i>	<i>Mr M Crowhurst</i>
<i>Professor B King</i>	<i>Mr I G Lloyd</i>
<i>Ms C S Lamb (until 31/10/04)</i>	<i>Dr J McGeorge (until 11/03/05)</i>
<i>Mr I McMillan</i>	<i>Dr J Morrow</i>
<i>Mr J Nicholson</i>	<i>Mr I Simpson</i>
<i>Mrs S Stewart (from 14/03/05)</i>	<i>Professor M T Swanston</i>
<i>Professor N Terry</i>	<i>Mr J Weir</i>

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 2005 were:

<i>Mr I E Ivory (Chairman)</i>	<i>Ms C Blake</i>
<i>Mr K G Cargill (from 01/01/05)</i>	<i>Mr D Dalziel (from 01/07/05)</i>
<i>Professor B King</i>	<i>Ms C S Lamb (until 31/10/04)</i>
<i>Mr I G Lloyd</i>	<i>Mr A Macmillan Douglas</i>
<i>Mrs A Markham</i>	<i>Dr J J Morrow</i>
<i>Mr R Rennet</i>	<i>Ms J Stewart (until 30/06/05)</i>
<i>Professor M T Swanston</i>	<i>Professor N Terry (from 01/11/04)</i>
<i>Mr J Weir</i>	<i>Mr I R Wilson</i>

Corporate governance statement *(continued)*

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 2005 were:

<i>Professor A Armstrong (Chairman)</i>	
<i>Professor J R Hillman</i>	<i>Lady Fiona Fraser</i>
<i>Mr R Quentin Lucas (external member) (until 31/12/04)</i>	<i>Sheriff K A Veal</i>

Risk Management Committee is responsible for maintaining and reviewing the University's Risk Register; for taking action to ensure that any new controls required in respect of identified risks are implemented; and for reporting to Audit Committee on any new risks so that this can inform the Audit Committee's programme of internal audits. The members of the Risk Management Committee to 31 July 2005 were:

<i>Mr R Rennet (Chairman)</i>	<i>Mrs A Markham</i>
<i>Dr C Fraser</i>	<i>Professor P F Martin</i>
<i>Ms C S Lamb (until 31/10/04)</i>	<i>Professor J W Palfreyman</i>
<i>Mr I G Lloyd</i>	<i>Professor M T Swanston</i>
<i>Professor M Malcolm</i>	<i>Professor N Terry (from 01/11/04)</i>
<i>Mr J Weir</i>	

The Governance Committee's purpose is, *inter alia*, to consider and bring forward recommendations in relation to issues relating to good practice in institutional governance. The members of the Governance Committee to 31 July 2005 were:

<i>Mr I McMillan (Chairman)</i>	<i>Professor J Crawford (until 31/12/04)</i>
<i>Professor K Gartland (from 01/01/05)</i>	<i>Mr R Rennet</i>
<i>Mr J Weir</i>	

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 2005 were:

<i>Professor G Hewitt (Chairman)</i>	<i>Lady Fiona Fraser (Vice-Chair)</i>
<i>Mr N Hawkins</i>	<i>Mr I E Ivory</i>
<i>Professor B King</i>	<i>Professor M T Swanston</i>

The Remuneration Committee comprises lay core members of Court and considers and determines the levels of salary and terms and conditions of service of senior staff. The members of the Remuneration Committee for the year to 31 July 2005 were:

<i>Professor G Hewitt</i>	<i>Professor A Armstrong</i>
<i>Lady Fiona Fraser</i>	<i>Mr N Hawkins</i>
<i>Mr I E Ivory</i>	

Corporate governance statement *(continued)*

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 2005 were:

Ms C S Lamb (Chairman until 31/10/04)
Mr M Black
Mr T J Burness
Miss S Davies
Dr C Fraser (until 30/03/05)
Mr A Ingles
Mr I G Lloyd
Professor M Malcolm (from 01/11/04)
Professor J Palfreyman
Mr I Simpson
Mr K Sturrock
Dr G Walker

Professor N Terry (Chairman from 01/11/04)
Mr G Burke
Dr P Collier
Dr L Elder
Ms J Illian
Professor B King
Mr A Macmillan Douglas (from 01/05/05)
Dr L Natanson (from 01/04/05 until 31/07/05)
Ms A Scott
Mr W A Spence (until 31/12/04)
Professor M T Swanston
Mr J Weir

From time to time, the University establishes short-term working groups and sub-committees to undertake specific work. For example, in 2000, the Finance, Personnel & General Purposes Committee established the Business Development Sub-Committee to oversee University spin-out companies. In 2004, it was decided that the sub-committee should be disestablished and its business considered as a standing item at meetings of the Finance, Personnel and General Purposes Committee instead.

The University Court has, through its Governance Committee, carried out a review during session 2004/2005 of its current practice against sector-wide expectations relating to corporate governance, and, in particular, against the CUC Guide for Members of Governing Bodies of Higher Education Governing Bodies in the UK. Court considers that it complies with these in the majority of respects. The areas in which our practice did not comply with the Guide were as follows:

- (i) The University had no statement of primary responsibilities held by Court. Having considered the guidance, such a statement has now been produced and accepted by Court.
- (ii) The Guide indicates that it is advisable to prepare written descriptions on the role and the capabilities that are desirable in a new member; that vacancies should be advertised both within and outwith the institution; and that a full job specification should be produced for the position of chair. The Governance Committee has developed material in relation to all of these areas, which has been considered and approved in principle by Court. The Governance Committee will complete its work in this area during session 2005/2006.

The Governance Committee will continue to monitor both compliance with good sector practice and the effectiveness of the various institutional performance indicators used by the several interlocking committees comprising Senate and Court.

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.

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:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative 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 quarterly 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 the Court
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and General Purposes Committee
- 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.

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

We have audited the financial statements which comprise the consolidated Income and Expenditure Account, the Balance Sheet, the consolidated Cash Flow Statement, the consolidated Statement of Total Recognised Gains and Losses and the related notes 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 in the Statement of Accounting Policies.

Respective responsibilities of the University Court and auditors

The University Court's responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Scottish Higher Education Funding Council, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom law and accounting standards is set out in the Statement of the Court's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the University Court in accordance with the financial memorandum with the Scottish Higher Education Funding Council. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 for Further and Higher Education. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the Further and Higher Education (Scotland) Act 1992 governing the institution and where appropriate with the financial memorandum with the Scottish Higher Education Funding Council. We also report to you if, in our opinion, the institution has not kept proper accounting records, 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 read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report by the Convenor of the Finance, Personnel & General Purposes Committee and the Corporate Governance Statement.

We also review the statement of internal control (included as part of the Corporate Governance Statement) and comment if the statement is inconsistent with our knowledge of the institution. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

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 Group's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report to the University Court of the University of Abertay Dundee (*continued*)

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2005, and of the deficit of income over expenditure and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education;
- ii. in all material respects, income from the Scottish Higher Education Funding Council, grants and income for specific purposes and from other restricted funds administered by the university have been applied only for the purposes for which they were received;
- iii. in all material respects, income has been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum dated 1 August 1996 (incorporating 1998 revisions) with the Scottish Higher Education Funding Council.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Erskine House
68-73 Queen Street
Edinburgh
20 December 2005

The maintenance and integrity of the University of Abertay Dundee website is the responsibility of the University Court; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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/25/05.

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.

Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings for the year ended 31 July 2005. Income for the year is included in Other Operating Income and expenditure is included in Other Operating Expenses in the Consolidated Income and Expenditure Account. The Balance Sheet reflects full consolidation.

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, except for research assets funded through specific external grants, where the threshold is £50,000. Any related grants are treated as deferred capital grants and released to income over the expected useful life of the equipment.

Statement of principal accounting policies *(continued)*

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.

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.

Statement of principal accounting policies *(continued)*

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.

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 27 on Pages 31-33.

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.

Consolidated income and expenditure account for the year ended 31 July 2005

	<i>Note</i>	2005 £000	2004 £000
Income			
Funding Council grants	<i>1</i>	18,183	16,762
Tuition fees and education contracts	<i>2</i>	6,955	6,343
Research grants and contracts	<i>3</i>	1,721	1,518
Other operating income	<i>4</i>	5,841	5,651
Endowment and investment income	<i>5</i>	688	375
		<hr/>	<hr/>
Total income		33,388	30,649
		<hr/>	<hr/>
Expenditure			
Staff costs	<i>6</i>	18,639	18,610
Exceptional restructuring costs	<i>6</i>	339	275
Other operating expenses	<i>7</i>	13,249	10,822
Depreciation	<i>10</i>	1,030	839
Interest payable	<i>9</i>	24	-
		<hr/>	<hr/>
Total expenditure	<i>8</i>	33,281	30,546
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of fixed assets		107	103
		<hr/>	<hr/>
(Loss)/profit on disposal of assets	<i>10</i>	(2,018)	136
		<hr/>	<hr/>
(Deficit)/surplus on continuing operations after depreciation of fixed assets and disposal of assets		(1,911)	239
		<hr/> <hr/>	<hr/> <hr/>

The income and expenditure account is in respect of continuing activities.

Statement of historical cost surpluses and deficits for year ended 31 July 2005

(Deficit)/surplus for the financial year	<i>21</i>	(1,911)	239
Adjustment to depreciation based on historical cost		107	108
Adjustment to loss on disposal based on historical cost		73	-
		<hr/>	<hr/>
Historical (deficit)/surplus for the period		(1,731)	347
		<hr/> <hr/>	<hr/> <hr/>

Balance sheet
at 31 July 2005

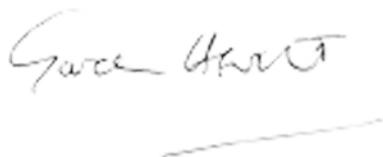
	<i>Note</i>	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Fixed assets					
Tangible assets	<i>10</i>	29,244	25,240	26,774	26,774
Investments	<i>11</i>	32	32	40	40
		<hr/>	<hr/>	<hr/>	<hr/>
		29,276	25,272	26,814	26,814
Endowment asset investments	<i>12</i>	762	762	648	648
Current assets					
Stocks and work in progress	<i>13</i>	32	-	2	2
Long term loan	<i>14</i>	-	4,000	-	-
Debtors	<i>15</i>	4,123	4,249	5,519	5,519
Investments	<i>11</i>	5,214	5,214	5,037	5,037
Term deposits		79	79	216	216
Cash at bank and in hand		4	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: amounts falling due within one year	<i>16</i>	9,452 (6,096)	13,542 (6,139)	10,774 (6,480)	10,774 (6,480)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets		3,356	7,403	4,294	4,294
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		33,394	33,437	31,756	31,756
Creditors: amounts falling due after more than one year					
	<i>17</i>	(3,601)	(3,601)	(500)	(500)
Provisions for liabilities and charges	<i>18</i>	(1,576)	(1,576)	(1,539)	(1,539)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		28,217	28,260	29,717	29,717
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Represented by:					
Deferred capital grants	<i>19</i>	5,349	5,349	5,686	5,686
Endowments					
Specific	<i>20</i>	762	762	648	648
Funds and reserves					
Capital and revaluation reserve	<i>21</i>	13,069	13,069	13,611	13,611
General reserves	<i>21</i>	9,037	9,080	9,772	9,772
		<hr/>	<hr/>	<hr/>	<hr/>
		22,106	22,149	23,383	23,383
		<hr/>	<hr/>	<hr/>	<hr/>
Total funds		28,217	28,260	29,717	29,717
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by Court on 16 December 2005 and were signed on its behalf by:

Professor Bernard King
Principal & Vice-Chancellor

Professor Gordon Hewitt
Chairman, University Court

Professor Nicholas Terry
University Secretary & Vice-Principal (Planning & Resources)


Consolidated cash flow statement
for the year ended 31 July 2005

	<i>Note</i>	2005 £000	2004 £000
Cash flow from operating activities	24	853	(331)
Returns on investments and servicing of finance			
Income from endowments		20	21
Income from current asset investments		251	240
Other interest received		38	33
Interest paid	9	(11)	-
Cash flow from returns on investments and servicing of finance		298	294
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		(5,505)	(2,019)
Receipts from sale of tangible fixed assets		229	690
Capital grants received		100	406
Endowments received		85	1
Endowments expenditure		(8)	(2)
Trust donation received		127	-
Business development allocation		-	(10)
Payments to acquire investments		-	-
Receipts from sale of fixed asset investments		-	-
Cash flow from investing activities		(4,972)	(934)
Management of liquid resources			
Sale of current asset investments		1,382	1,154
Purchase of current asset investments		(1,179)	(1,157)
Cash flow from management of liquid resources		203	(3)
Cash flow before financing		(3,618)	(974)
Financing			
New loan		3,250	500
Repayment of loan		(37)	-
Cash flow from financing		3,213	500
Decrease in cash	26	(405)	(474)

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2005

	<i>Note</i>	2005 £000	2004 £000
(Deficit)/surplus after depreciation of assets and disposal of assets		(1,911)	239
Donations transferred from Creditors to Donation Reserve		633	
Trust donation transferred from/taken to reserves	<i>21</i>	-	(13)
Business development allocation	<i>21</i>	-	(10)
New endowments	<i>20</i>	85	1
Endowment income retained for year	<i>20</i>	12	14
Appreciation of endowment asset investments	<i>20</i>	17	67
		<hr/>	<hr/>
Total recognised (losses)/gains relating to the year		(1,164)	298
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation			
Opening reserves and endowments		24,031	23,733
Total recognised gains/(losses) relating to the year		(1,164)	298
		<hr/>	<hr/>
Closing reserves and endowments		22,867	24,031
		<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Grants from Scottish Higher Education Funding Council

	2005 £000	2004 £000
SHEFC Recurrent grant :		
Teaching Grant	15,445	15,010
Research Grant	1,250	554
Non-recurrent grants:		
Equipment	-	-
Strategic change grant	131	175
Other grants	1,136	886
Deferred capital grants released in year:		
Buildings (note 18)	88	90
Equipment (note 18)	133	47
	18,183	16,762
	18,183	16,762

2 Tuition fees and education contracts

	2005 £000	2004 £000
UK student fees	3,742	3,581
EU student fees (excluding UK)	374	343
Non-EU student fees	2,685	2,083
Other fees	154	336
	6,955	6,343
	6,955	6,343

3 Research grants and contracts

	2005 £000	2004 £000
Research councils	477	273
UK charities	213	152
UK government	774	756
UK industry	69	104
EU	158	115
Other	30	118
	1,721	1,518
	1,721	1,518

Notes *(continued)*

4 Other operating income

	2005 £000	2004 £000
Residences and catering	1,135	1,194
Library trust rental income and service charges	1,656	1,619
Other income-generating activities	280	1,093
Other grant income	1,506	1,284
Releases from deferred capital grants	77	52
Other income	734	409
	5,388	5,651
Subsidiary companies	453	-
	5,841	5,651

5 Endowment and investment income

	2005 £000	2004 £000
Income from endowment asset investments (note 20)	20	21
Income from current asset investments	251	240
Increase in value of current asset investments	333	-
Gain on disposal of current asset investments	46	81
Other interest receivable	38	33
	688	375
	688	375

6 Staff numbers and costs

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

	2005 Number	2004 Number
Senior management	10	10
Academic Departments	234	272
Academic Services	84	76
Research grants and contracts	48	57
Administration	134	112
Premises	41	38
Other	17	14
Catering and residences	11	20
	579	599
	579	599

Notes (continued)

Staff costs for the above persons:

	2005	2004
	£000	£000
Senior management	939	897
Academic Departments	9,687	9,837
Academic Services	2,115	1,999
Research grants and contracts	1,531	1,512
Administration	3,276	3,082
Premises	892	848
Other	349	420
Catering and residences	188	290
	18,978	18,885
	18,978	18,885

Classified as:

Wages and salaries	15,473	15,487
Social security costs	1,215	1,206
Other pension costs	1,951	1,917
	18,639	18,610
Exceptional restructuring costs	339	275
	18,978	18,885
	18,978	18,885

Costs of higher-paid employees:

Remuneration paid to the Principal during the year including salary and other taxable benefits	165	155
Employer's contribution to pension	21	18
	186	173
	186	173

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

£70,000 - £80,000+	1	1
£80,000 - £90,000	1	1

Notes (continued)

7 Other operating expenses

	2005 £000	2004 £000
Residences and catering expenses	651	851
Equipment and consumables	2,119	1,480
Books and periodicals	432	405
Scholarships and prizes	20	21
Property costs including utilities	706	647
Repairs and general maintenance	1,197	482
University of Abertay Dundee Students' Association	168	165
External auditors' remuneration	29	27
Internal auditors' remuneration	39	27
Provision against cost of Fixed Asset Investments	7	-
Diminution in value of Current Asset Investments	-	95
Payments to Library Trust for library services	2,062	1,914
Travel and staff training	611	729
Professional fees	734	570
Advertising, marketing and public relations	587	626
Administration costs	708	646
Other expenses	2,683	2,137
	12,753	10,822
Subsidiary companies	496	-
	13,249	10,822

8 Analysis of expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Total 2005 £000	Total 2004 £000
Academic departments	9,986	104	620	10,710	10,708
Academic services	2,192	122	3,172	5,486	5,206
Research grants and contracts	1,531	121	772	2,424	2,419
Residences and catering	188	63	651	902	1,141
Premises	892	503	2,162	3,557	3,415
Administration	3,840	102	4,024	7,966	5,472
Other	349	15	1,376	1,740	2,185
Subsidiary companies	-	-	496	496	-
	18,978	1,030	13,273	33,281	30,546
	18,978	1,030	13,273	33,281	30,546

The depreciation charge has been funded by:

	2005 £000	2004 £000
Deferred capital grant released	352	188
Capital and revaluation reserve transferred	322	326
General income	356	325
	1,030	839
	1,030	839

Notes (continued)

9 Interest payable

	2005 £000	2004 £000
On bank loans:		
Repayable within 5 years, not by instalments	-	-
Repayable within 5 years, by instalments	-	-
Repayable wholly or partly in more than 5 years	136	21
	<hr/>	<hr/>
Less capitalised	(112)	(21)
	<hr/>	<hr/>
Total	24	-
	<hr/> <hr/>	<hr/> <hr/>

10 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
(a) Group						
<i>Cost or valuation</i>						
<i>At 1 August 2004</i>						
Valuation – 1994	16,370	-	20	-	-	16,390
Cost	11,137	2,113	-	1,901	1,975	17,126
Additions at cost	181	5,084	-	343	297	5,905
Disposals at cost	(2,213)	-	-	(263)	-	(2,476)
Transfer	5,947	(5,947)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>At 31 July 2005</i>						
Valuation – 1994	16,104	-	20	-	-	16,124
Cost	15,318	1,250	-	1,981	2,272	20,821
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	31,422	1,250	20	1,981	2,272	36,945
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
<i>At 1 August 2004</i>	4,033	-	5	1,251	1,453	6,742
Charge for year	555	-	-	251	224	1,030
Eliminated in respect of disposals	(64)	-	-	(7)	-	(71)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	4,524	-	5	1,495	1,677	7,701
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 31 July 2005	26,898	1,250	15	486	595	29,244
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2004	23,474	2,113	15	650	522	26,774
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

10 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
(b) University						
<i>Cost or valuation</i>						
<i>At 1 August 2004</i>						
Valuation – 1994	16,370	-	20	-	-	16,390
Cost	11,137	2,113	-	1,901	1,975	17,126
Additions at cost	181	5,084	-	339	297	5,901
Disposals at cost	(6,213)	-	-	(263)	-	(6,476)
Transfer	5,947	(5,947)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>At 31 July 2005</i>						
Valuation – 1994	16,104	-	20	-	-	16,124
Cost	11,318	1,250	-	1,977	2,272	16,817
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	27,422	1,250	20	1,977	2,272	32,941
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
<i>At 1 August 2004</i>						
Charge for year	4,033	-	5	1,251	1,453	6,742
Eliminated in respect of disposals	555	-	-	251	224	1,030
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	(64)	-	-	(7)	-	(71)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	4,524	-	5	1,495	1,677	7,701
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 31 July 2005	22,898	1,250	15	482	595	25,240
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2004	23,474	2,113	15	650	522	26,774
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Buildings with a net book value of £13,059,000 and cost of £10,774,000 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 total net book value of £6,152,000 and equipment of £256,000 have been disposed of in the year. The net loss on disposal of £2,018,000 has been debited to the Income & Expenditure Account.

Notes (continued)

11 Fixed asset and current asset investments

	Unlisted £000
Fixed asset investments	
At beginning of year	40
Provision for permanent diminution in value	(8)

At end of year	32

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 £35,000.

	2005 £000	2004 £000
Current asset investments – listed securities		
At beginning of year	5,037	5,049
Additions	1,179	1,157
Disposals	(1,382)	(1,074)
Increase/(decrease) in value	380	(95)
	_____	_____
At end of year	5,214	5,037

The market value of the above current asset investments is £5,783,000 (2003/04 £5,153,000).

12 Endowment asset investments

	2005 £000	2004 £000
At beginning of year	648	566
Additions	85	1
Appreciation on disposals/revaluation (note 20)	17	67
Increase in cash balances	12	14
	_____	_____
At end of year	762	648
 At market value:		
Fixed interest stocks (listed)	16	16
Equities (listed)	211	194
Land and property	130	130
	_____	_____
Bank balances held by the University	405	308
	_____	_____
At end of year	762	648

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)

13 Stocks

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Refectory stock	8	-	2	2
Other stock	24	-	-	-
	<u>32</u>	<u>-</u>	<u>2</u>	<u>2</u>
	<u><u>32</u></u>	<u><u>-</u></u>	<u><u>2</u></u>	<u><u>2</u></u>

14 Long term loan

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Loan to subsidiary company	-	4,000	-	-
	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>4,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The above represents a loan from the University to its wholly-owned subsidiary company Abertay Student Centre Ltd to fund the transfer of the Student Centre building.

15 Debtors: amounts falling due within one year

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Trade debtors	407	376	481	481
Debts due from students	420	420	594	594
Due from associated companies	-	829	-	-
Other debtors	1,005	333	1,012	1,012
Prepayments and accrued income	2,291	2,291	3,433	3,433
	<u>4,123</u>	<u>4,249</u>	<u>5,519</u>	<u>5,519</u>
	<u><u>4,123</u></u>	<u><u>4,249</u></u>	<u><u>5,519</u></u>	<u><u>5,519</u></u>

Notes (continued)

16 Creditors: amounts falling due within one year

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Bank loans	112	112	-	-
Bank overdraft	422	422	53	53
Trade creditors	686	683	331	331
Other creditors	1,468	1,465	1,930	1,930
Social security and other taxation payable	561	557	422	422
Accruals and deferred income	2,847	2,900	3,744	3,744
	<u>6,096</u>	<u>6,139</u>	<u>6,480</u>	<u>6,480</u>

17 Creditors: amounts falling due after one year

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Bank loans	3,601	3,601	500	500

The above represents two tranches of a bank loan which has been secured in order to part-finance the construction of the new Student Centre. Tranche A is £3m, with a repayment period of 20 years commencing on 1 July 2005 and a floating interest rate linked to LIBOR. Tranche B is a revolving facility of £1m, with full repayment by 31 July 2008. The finance costs in the year relating to this loan amount to £136,000, of which £112,000 has been capitalised and £24,000 charged to Income and Expenditure Account.

The above bank loans are repayable as follows:

	2005 £000	2004 £000
In one year or less	112	-
Between one and two years	150	-
Between two and five years	1,200	-
In five years or more	2,251	500
	<u>3,713</u>	<u>500</u>

18 Provisions for liabilities and charges

	2005 £000
At beginning of year	1,539
Expenditure in period	(149)
Revaluation adjustment	186
	<u>1,576</u>

The provision is for enhanced pension benefits to former members of staff. A valuation of the pension provision was carried out by Punters Southall, an independent firm of actuaries, at 31 July 2005.

Notes (continued)

19 Deferred capital grants

	Funding Council £000	Other grants £000	Total £000
At beginning of year:			
Buildings	3,952	790	4,742
Equipment	358	586	944
	<hr/>	<hr/>	<hr/>
Total	4,310	1,376	5,686
	<hr/>	<hr/>	<hr/>
Cash received			
Buildings	-	176	176
Equipment	-	-	-
	<hr/>	<hr/>	<hr/>
Total	-	176	176
	<hr/>	<hr/>	<hr/>
Released to income and expenditure account:			
Buildings (note 1)	88	26	114
Equipment (note 1)	133	105	238
	<hr/>	<hr/>	<hr/>
Total (note 8)	221	131	352
	<hr/>	<hr/>	<hr/>
Buildings – on disposal	-	161	161
	<hr/>	<hr/>	<hr/>
At end of year:			
Buildings	3,864	779	4,643
Equipment	225	481	706
	<hr/>	<hr/>	<hr/>
Total	4,089	1,260	5,349
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

20 Endowments

	Specific £000
At beginning of year	648
Additions in year	85
Appreciation of endowment asset investments	17
Income for year (Note 5)	20
Expenses for year	(8)
	<hr/>
At end of year	762
	<hr/> <hr/>
Representing:	
Scholarship funds	47
Prize funds	165
Other funds	550
	<hr/>
	762
	<hr/> <hr/>

Notes (continued)

21 Funds and reserves

(a) Group

	Capital and Revaluation reserve £000	Income and Expenditure reserve £000	General reserve £000	Designated reserve £000	Total £000
At 1 August 2004	13,611	1,180	8,592	-	23,383
Transfer from general reserve	-	8,327	(8,592)	265	-
At 1 August 2004 (restated)	13,611	9,507	-	265	23,383
Deficit for year	-	(1,911)	-	-	(1,911)
Designated transfer for year	-	14	-	(14)	-
Disposal of fixed assets	(220)	220	-	-	-
Transfer from creditors	-	634	-	-	634
Capital transfer for year	(215)	215	-	-	-
Revaluation transfer for year	(107)	107	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	13,069	8,786	-	251	22,106
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
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/>	<hr/>
At 31 July 2004	13,611	1,180	8,592	-	23,383
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

(b) University

	Capital and Revaluation reserve £000	Income and Expenditure reserve £000	General reserve £000	Designated reserve £000	Total £000
At 1 August 2004	13,611	1,180	8,592	-	23,383
Transfer from general reserve	-	8,327	(8,592)	265	-
At 1 August 2004 (restated)	13,611	9,507	-	265	23,383
Deficit for year	-	(1,868)	-	-	(1,868)
Designated transfer for year	-	14	-	(14)	-
Disposal of fixed assets	(220)	220	-	-	-
Transfer from creditors	-	634	-	-	634
Capital transfer for year	(215)	215	-	-	-
Revaluation transfer for year	(107)	107	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	13,069	8,829	-	251	22,149
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
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/>	<hr/>
At 31 July 2004	13,611	1,180	8,592	-	23,383
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

22 Lease obligations

	2005 £000	2004 £000
<i>Commitments under non-cancellable operating leases expiring:</i>		
Land and buildings		
Within one year	12	15
Between two and five years	43	43
Over five years	190	190
	<hr/>	<hr/>
	245	248
	<hr/> <hr/>	<hr/> <hr/>
Equipment		
Within one year	-	9
Between two and five years	-	-
	<hr/>	<hr/>
	-	9
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

23 Capital commitments

	2005	2004
	£000	£000
Contracted but not provided for	314	3,649
	314	3,649

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

	2005	2004
	£000	£000
(Deficit)/surplus for the year	(1,911)	239
Interest receivable (note 5)	(289)	(294)
Interest payable (note 9)	24	-
Depreciation charges	1,030	839
Loss/(profit) on disposal of tangible fixed assets	2,018	(136)
Profit on disposal of current asset investments	(46)	(81)
Provision against cost of fixed asset investments	8	-
(Appreciation)/diminution in value of current asset investments	(334)	95
Net donated income retained in specific endowments	-	14
Trust donation transferred	-	(13)
(Increase)/decrease in stock and work in progress	(30)	72
Decrease/(increase) in debtors	1,396	(607)
Decrease in creditors	(537)	(271)
Increase in provisions	37	-
Release of deferred grant (note 19)	(513)	(188)
	853	(331)

25 Reconciliation of net cash flow to movement in net funds

	2005	2004
	£000	£000
Decrease in cash in year	(405)	(474)
Cash used to (decrease)/increase liquid resources	(203)	3
Cash inflow from debt financing	(3213)	(500)
	(3,821)	(971)
Change in net funds resulting from cash flows	(3,821)	(971)
Other non-cash change	380	(15)
	(3,441)	(986)
Movement in net funds in the year	(3,441)	(986)
Opening net funds	5,008	5,994
	1,567	5,008

Notes (continued)

26 Analysis of changes in net funds

	At 1 August 2004 £000	Cash flow £000	Other non-cash change £000	At 31 July 2005 £000
Cash in hand	-	4	-	4
Endowment assets (note 12)	308	97	-	405
Term deposits	216	(137)	-	79
Bank overdraft	(53)	(369)	-	(422)
	471	(405)	-	66
Debt due after one year	(500)	(3,213)	-	(3,713)
Current asset investments	5,037	(203)	380	5,214
	5,008	(3,821)	380	1,567

27 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 2005, 31 July 2004 and 31 July 2003. The major assumptions used in this valuation were:

	2005	2004	2003
Rate of increase in salaries	4.3%	4.4%	4.1%
Rate of increase in pensions in payment	2.8%	2.9%	2.6%
Discount rate	5.1%	5.7%	5.5%
Inflation assumption	2.8%	2.9%	2.6%

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)

27 Pension costs (continued)

	Long term rate of return 2005 %	Value at 31 July 2005 £000	Long term rate of return 2004 %	Value at 31 July 2004 £000	Long term rate of return 2003 %	Value at 31 July 2003 £000
Equities	7.5	16,824	7.5	12,643	8.0	11,304
Gilts	4.5	3,088	5.0	2,841	5.0	2,644
Other bonds	5.3	1,263	5.75	438	5.0	-
Property	7.0	2,195	7.0	1,644	6.0	1,358
Cash	4.3	488	4.25	801	3.5	1,173
		<hr/>		<hr/>		<hr/>
Present value of scheme liabilities		23,858 31,651		18,367 25,448		16,479 22,885
		<hr/>		<hr/>		<hr/>
Net pension liability		(7,793)		(7,081)		(6,406)
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>

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

Movement in deficit during the year:

	2005 £000	2004 £000
Deficit in scheme at beginning of year	(7,081)	(6,406)
Current service cost	(1,081)	(989)
Contributions paid	986	983
Other finance income	(181)	(97)
Settlements/curtailments	(22)	(10)
Actuarial loss	(414)	(562)
	<hr/>	<hr/>
Deficit in scheme at end of year	(7,793)	(7,081)
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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:

	2005 £000	2004 £000
Current service cost	1,081	989
	<hr/>	<hr/>
	1,081	989
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

27 Pension costs (continued)

Analysis of amounts included in other finance income:

	2005 £000	2004 £000
Expected return on pension scheme assets	1,310	1,173
Interest on pension scheme liabilities	(1,491)	(1,270)
	(181)	(97)
	(181)	(97)

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

	2005 %	2005 £000	2004 %	2004 £000
Actual return less expected return on scheme assets		2,824		305
Percentage of year end scheme assets	12.0		1.7	
Experience gains and losses arising on scheme liabilities		-		-
Percentage of present value of year end scheme liabilities	0.0		0.0	
Changes in assumptions underlying the present value of scheme liabilities		(3,238)		(867)
		(414)		(562)
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)		(414)		(562)

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 2005. The valuation was based on assumptions of a 6% return on investments and a 2.9% rate of increase in pensions. The valuation revealed a total liability in respect of these enhanced pension arrangements of £1,576,000.

During the year to 31 July 2005 the total cost of these pension arrangements for the University was:

	2005 £000	2004 £000
STSS	839	790
TSF	1,080	972
USS	32	29
Enhanced pension payments	149	126
	2,100	1,917
Total pension cost	2,100	1,917

Notes (continued)

28 Bursary and other student support funds

	Mature Student Bursary Fund	Hardship Fund	Total 2004-05	Total 2003-04
	£000	£000	£000	£000
Balance brought forward	2	(1)	1	-
Allocation received in year	245	105	350	355
Expenditure	(199)	(153)	(352)	(354)
Repayable to Funding Council	-	-	-	-
Virements	(48)	48	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance carried forward	-	(1)	(1)	1
	<hr/> <hr/>	<hr/> <hr/>	<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. The Mature Students Bursary Fund exists to target mature students with funding difficulties.

30 Post balance sheet events

Since the end of the financial year in July 2005 there have been no significant post balance sheet events which would lead to adjustments or require disclosure within these accounts.

31 Contingent liability

The University is in discussions with HM Revenue & Customs relating to Partial Exemption recovery of Value Added Tax. The University has received Counsel opinion that it should not be liable for any additional payment. In view of the uncertainty, no financial provision has been made in these accounts in relation to the above.

32 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 2005, the University of Abertay Dundee charged the University of Abertay Dundee Library Trust £1,655,675 in rental and service charges and were charged £2,061,981 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 £75,810 to the University of Abertay Dundee 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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