

Annual Report and Financial Statement for the year ended July 2003



University of Abertay Dundee

Annual report and financial statements

31 July 2003

Contents

Report by the Convenor of the Finance, Personnel & General Purposes Committee	1-3
Corporate governance	4-7
Responsibilities of the University Court	8
Report of the external auditors	9-10
Statement of principal accounting policies	11-13
Income and expenditure account	14
Note of historical cost surpluses and deficits	14
Balance sheet	15
Cash flow statement	16
Statement of total recognised gains and losses	17
Notes to the financial statements	18-32

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

Scope of the Financial Statements

The Financial Statements presented on pages 14 to 32 comprise the financial results of the University of Abertay Dundee for the year to 31 July 2003.

Results for the Year

The results for the year to 31 July 2003 are summarised as follows:

	2003 £000	2002 £000
Income	29,738	29,430
Expenditure	29,689	29,673
	<hr/>	<hr/>
Surplus (deficit) for the year before exceptional items	49	(243)
Exceptional Restructuring Costs	(1,689)	-
Loss on disposal of fixed assets	(2,301)	-
	<hr/>	<hr/>
Deficit for the year after exceptional items	(3,941)	(243)
	<hr/> <hr/>	<hr/> <hr/>

The Committee is satisfied with the underlying financial performance of the University but notes the impact that the exceptional items have had on the financial results for the year. The expenditure on restructuring costs was incurred in the implementation of a voluntary severance scheme, which has generated annual savings for the University of £1.5 million. The loss on disposal of fixed assets arose as a result of the sale of a property in Marketgait, Dundee, and the demolition of two buildings on land held by the University for development purposes. These properties were valued on the balance sheet at depreciated replacement cost, and the valuations were reflected by equivalent amounts held in the Capital and Revaluation reserve. As a result of the disposal a transfer has been made from the Capital and Revaluation reserve to the income and expenditure reserve of £2,466,000 (see Note 18).

The majority of University staff are members of either the Scottish Teachers Superannuation Scheme (STSS) or the Tayside Local Government Pension Fund (TLGPF). The members of the Committee have considered the information now disclosed at Note 24 concerning the University's share of the assets and liabilities of the TLGPF and considers that, whilst the deficit disclosed here is not unusual in the sector, it is likely to result in further increases to employers' contributions in the future. In relation to the STSS the committee has noted that employers' contributions are due to increase substantially in 2003/4.

Investment Performance

The Committee is pleased to note the improved performance of our investment portfolio which saw an increase in value of 6.7% over the year.

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 £239,000 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 23.7 days. (2002-22.8 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 2003 the University undertook a major review of its academic portfolio and associated staffing and support establishments. This resulted in a significant restructuring exercise which will enable the University to operate efficiently and effectively and to continue to develop its portfolio in an imaginative manner.

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 2003 we commenced building work on our new student centre which will be completed in summer 2004. 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. During the year to 31 July 2003 we also undertook a major review of our residential provision for students. As a result of this review we will be working in the next two years to develop new quality accommodation for our students located more closely to our Bell Street campus.

The University anticipates that it will continue to expand its population of overseas students and to seek to diversify its operations.

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

19 December 2003

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 has been enhanced in the year to 31 July 2003 by the creation of a Risk Management Committee which is responsible for the maintenance of the University's risk register and for ensuring that risk management is embedded within the full scope of the University's operations. The mechanisms used to identify, manage and control risk are regularly reviewed by the Audit Committee of Court and accord 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 2003 was as follows:

Professor D J Tedford (Chairman, until 31/12/02)

Lady Fiona Fraser (Vice-Chair)

Mr K Bhattacharya (from 1/8/02 to 31/7/03)

Professor J Crawford

Mr J J Downes (until 31/12/02)

Mr N Hawkins

Mr I E Ivory

Professor B King

Mrs B Marr

Dr C J Miller (from 1/1/03)

Mr R Rennet

Professor M T Swanston

Mrs A Wilson

Professor G Hewitt (Chairman, from 1/1/03)

Miss A Armstrong

Mr T J Burness

Mr R Doak

Mr P D Guest

Professor J R Hillman

Mr D Jones

Ms A F Markham

Mr I McMillan

Mr R Nimmo

Mr W A Spence

Sheriff K A Veal

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 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; Health & Safety Committee; and the Remuneration 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 2003 were:

Professor B King (Chairman)

Mr D Angus

Ms C Blake (from 9/12/02)

Mr P Durrant (from 1/8/02)

Mr P Henry

Mr I G Lloyd

Professor I M Marshall

Professor J McGoldrick (until 11/4/03)

Dr J Moir

Professor J W Palfreyman

Ms J Stewart

Mr G A Wright

Professor M T Swanston (Vice-Chairman)

Mr K Bhattacharya (from 1/8/02 to 31/7/03)

Mr D Dawson (until 31/12/02)

Dr L Elder (from 1/1/03)

Ms C S Lamb

Ms C MacEachen

Professor P F Martin

Professor J McLeod

Mr J Nicholson

Ms K Stephenson (until 29/11/02)

Professor N G Terry

Professor I Young

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 2003 were:

Mr N Hawkins (Chairman)

Mr K Bhattacharya (from 1/8/02 to 31/7/03)

Mrs E M Keir (until 5/1/03)

Ms C S Lamb

Dr J McGeorge (from 13/2/03)

Mr R Nimmo

Mr D Angus

Mr T J Burness

Professor B King

Mr I G Lloyd

Mr I McMillan

Professor M Swanston

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 2003 were:

<i>Mr I E Ivory (Chairman)</i>	<i>Miss A Armstrong</i>
<i>Mr K Bhattacharya (from 1/8/02 to 31/7/03)</i>	<i>Ms C Blake (from 9/12/02)</i>
<i>Professor B King</i>	<i>Ms C S Lamb</i>
<i>Ms A F Markham</i>	<i>Mr R Nimmo</i>
<i>Mr R Rennet</i>	<i>Mr W A Spence</i>
<i>Ms K Stephenson (until 29/11/02)</i>	<i>Ms J Stewart</i>
<i>Professor M T Swanston</i>	<i>Mr I R Wilson</i>

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 2003 were:

<i>Mr I E Ivory (Chairman)</i>	<i>Miss A Armstrong</i>
<i>Mr R Doak</i>	<i>Professor B King</i>
<i>Ms C S Lamb</i>	<i>Professor M T Swanston</i>
<i>Professor N Terry</i>	<i>Mr I R Wilson</i>

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 2003 were:

<i>Mr P D Guest (Chairman)</i>	<i>Lady Fiona Fraser</i>
<i>Mr R Quentin Lucas (external member)</i>	<i>Professor J R Hillman</i>
<i>Sheriff K A Veal</i>	

The Risk Management Committee was established in March 2003 and oversees the identification and management of risk across the University, including the ongoing maintenance of the University's Risk Register, the identification of opportunities to improve controls, and the raising of staff awareness of risk management. The members of the Risk Management Committee for the year to 31 July 2003 were:

<i>Mr R Rennet (Chairman)</i>	<i>Miss A Armstrong</i>
<i>Mr K Bhattacharya (to 31/7/03)</i>	<i>Dr L Elder</i>
<i>Ms C S Lamb</i>	<i>Mr I G Lloyd</i>
<i>Professor I M Marshall</i>	<i>Professor P F Martin</i>
<i>Professor J W Palfreyman</i>	<i>Mr S Reid</i>
<i>Professor M T Swanston</i>	<i>Professor N G Terry</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 2003 were:

<i>Professor D J Tedford (Chairman, until 31/12/02)</i>	<i>Professor G Hewitt (Chairman, from 1/1/03)</i>
<i>Lady Fiona Fraser (Vice-Chairman)</i>	<i>Mr N Hawkins</i>
<i>Mr I E Ivory</i>	<i>Professor B King</i>
<i>Professor M T Swanston</i>	

Corporate governance statement *(continued)*

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 2003 were:

Professor D J Tedford (Chairman, until 31/12/02)
Lady Fiona Fraser
Mr N Hawkins
Professor B King

Professor G Hewitt (Chairman, from 1/1/03)
Mr P D Guest
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 2003 were:

Ms C S Lamb (Chair)
Mr K Bhattacharya (from 1/8/02 to 31/7/03)
Mr G Burke
Dr P Collier
Dr L Elder (from 1/1/03)
Ms J Ilian
Mr I G Lloyd
Dr J McGeorge (from 8/4/03)
Professor J W Palfreyman
Mr S Reid
Mr W A Spence
Professor M T Swanston
Dr G Walker

Mr D Angus
Mr M Black (from 8/4/03)
Dr C Cartwright
Mr D Dawson (until 31/12/02)
Mr P D Guest
Professor B King
Professor I M Marshall
Ms E McPhee (until 3/12/02)
Dr A Prescott (until 4/2/03)
Ms A Scott
Mr K Sturrock
Professor N G Terry

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 recently 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.

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.



37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

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

We have audited the financial statements on pages 11 to 32, 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 11 to 13.

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 the Statutes 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, the accounting records do not agree with 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 page 4 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 other 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 Audit Code of 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
Aberdeen
AB10 1JB
United Kingdom

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 2003 and of the excess of expenditure over income 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

19 December 2003

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/32/03.

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.

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 2003 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.

Statement of principal accounting policies *(continued)*

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

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.

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 24 on Pages 28-30.

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.

Statement of principal accounting policies *(continued)*

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 2003

	<i>Note</i>	2003 £000	2002 £000
Income			
Funding Council grants	<i>1</i>	15,406	15,721
Tuition fees and education contracts	<i>2</i>	6,938	7,187
Research grants and contracts	<i>3</i>	1,981	1,224
Other operating income	<i>4</i>	4,912	4,945
Endowment and investment income	<i>5</i>	501	353
		<hr/>	<hr/>
Total income		29,738	29,430
		<hr/>	<hr/>
Expenditure			
Staff costs	<i>6</i>	18,999	18,221
Exceptional restructuring costs	<i>6</i>	1,689	-
Other operating expenses	<i>7</i>	9,845	9,933
Diminution in value of current asset investments	<i>10</i>	-	483
Depreciation	<i>9</i>	845	1,036
		<hr/>	<hr/>
Total expenditure	<i>8</i>	31,378	29,673
		<hr/>	<hr/>
Deficit on continuing operations after depreciation of fixed assets		(1,640)	(243)
		<hr/>	<hr/>
Loss on disposal of assets	<i>9</i>	(2,301)	-
		<hr/>	<hr/>
Deficit on continuing operations after depreciation of fixed assets and disposal of assets		(3,941)	(243)
		<hr/> <hr/>	<hr/> <hr/>

Note of historical cost surpluses and deficits

Deficit for the financial year	<i>18</i>	(3,941)	(243)
Adjustment to depreciation based on historical cost		120	120
Adjustment to loss on disposal based on historical cost		2,466	-
		<hr/>	<hr/>
		(1,355)	(123)
		<hr/> <hr/>	<hr/> <hr/>

Balance sheet
at 31 July 2003

	<i>Note</i>	2003 £000	2002 £000
Fixed assets			
Tangible assets	9	25,858	27,892
Investments	10	40	74
		<hr/>	<hr/>
Endowment asset investments	11	25,898 566	27,966 483
Current assets			
Stocks and work in progress	12	74	88
Debtors	13	4,912	4,899
Investments	10	5,049	4,756
Term deposits		234	457
Cash at bank and in hand		418	504
		<hr/>	<hr/>
Creditors: amounts falling due within one year	14	10,687 (6,411)	10,704 (4,703)
		<hr/>	<hr/>
Net current assets		4,276	6,001
		<hr/>	<hr/>
Total assets less current liabilities		30,740	34,450
Provisions for liabilities and charges	15	(1,539)	(1,539)
		<hr/>	<hr/>
Net assets		29,201	32,911
		<hr/> <hr/>	<hr/> <hr/>
Represented by:			
Deferred capital grants	16	5,468	5,333
Endowments			
Specific	17	566	483
Funds and reserves			
Capital and revaluation reserve	18	13,937	16,789
General reserves	18	9,230	10,306
		<hr/>	<hr/>
Total funds		23,167	27,095
		<hr/>	<hr/>
		29,201	32,911
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 19 December 2003 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 2003

	<i>Note</i>	2003 £000	2002 £000
Net cash inflow from operating activities	<i>21</i>	414	294
Returns on investments and servicing of finance			
Income from endowments		76	72
Income from current asset investments		88	48
Other interest received		201	233
Net cash inflow from returns on investments and servicing of finance		365	353
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		(1,282)	(1,561)
Receipts from sale of tangible fixed assets		170	-
Capital grants received		314	324
Endowments received		1	25
Trust donation received		13	-
Payments to acquire Investments		(1)	(33)
Receipts from sale of fixed asset investments		7	-
Net cash outflow from investing activities		(778)	(1,245)
Management of liquid resources			
Sale of current asset investments		635	-
Purchase of current asset investments		(875)	(28)
Net cash outflow from management of liquid resources		(240)	(28)
Net cash outflow before financing		(239)	(626)
Financing			
Repayment of loan		-	-
Net cash outflow from financing		-	-
Decrease in cash	<i>23</i>	(239)	(626)

Statement of total recognised gains and losses
for the year ended 31 July 2003

	<i>Note</i>	2003 £000	2002 £000
Deficit after depreciation of assets and disposal of assets		(3,941)	(243)
New Trust donation taken to reserves	<i>18</i>	13	-
New endowments	<i>17</i>	1	25
Endowment income retained for year	<i>17</i>	70	(52)
Appreciation of endowment asset investments	<i>17</i>	12	-
		<hr/>	<hr/>
Total recognised losses relating to the year		(3,845)	(270)
		<hr/> <hr/>	<hr/> <hr/>
Opening reserves and endowments		27,578	27,848
Total recognised losses relating to the year		(3,845)	(270)
		<hr/>	<hr/>
Closing reserves and endowments		23,733	27,578
		<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Grants from Scottish Higher Education Funding Council

	2003 £000	2002 £000
SHEFC Recurrent grant :		
Teaching Grant	14,107	13,879
Research Grant	367	349
Non-recurrent grants:		
Equipment	71	136
Strategic change grant	222	314
Other grants	460	834
Deferred capital grants released in year:		
Buildings (note 16)	93	95
Equipment (note 16)	86	114
	<hr/>	<hr/>
	15,406	15,721
	<hr/> <hr/>	<hr/> <hr/>

2 Tuition fees and education contracts

	2003 £000	2002 £000
Full time tuition fees at home rates	3,869	3,872
Full time tuition fees at overseas rates	1,428	1,135
Part time tuition fees	662	337
Other fees	979	1,843
	<hr/>	<hr/>
	6,938	7,187
	<hr/> <hr/>	<hr/> <hr/>

3 Research grants and contracts

	2003 £000	2002 £000
Research councils	431	233
UK charities	37	67
UK government	843	491
UK industry	4	90
EU	285	81
Other	381	262
	<hr/>	<hr/>
	1,981	1,224
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

4 Other operating income

	2003 £000	2002 £000
Residences and catering	1,194	1,338
Other services rendered	2,082	1,800
Library trust rental income and service charges	1,636	1,807
	<hr/>	<hr/>
	4,912	4,945
	<hr/> <hr/>	<hr/> <hr/>

5 Endowment and investment income

	2003 £000	2002 £000
Income from endowment asset investments (note 17)	76	72
Income from current asset investments	88	48
Increase in value of current asset investments	136	-
Other interest receivable	201	233
	<hr/>	<hr/>
	501	353
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

6 Staff costs

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

	2003 Number	2002 Number
Academic department	271	265
Academic support services	99	101
Other support services	101	99
Administration and central services	86	90
Premises	56	63
Other	20	19
	<hr/>	<hr/>
	633	637
	<hr/> <hr/>	<hr/> <hr/>

The 2002 average number of persons has been restated as a result of improved reporting tools becoming available.

Staff costs for the above persons:

	2003 £000	2002 £000
Wages and salaries	16,218	15,669
Social security costs	1,137	1,100
Other pension costs	1,644	1,452
	<hr/>	<hr/>
	18,999	18,221
Exceptional restructuring costs	1,689	-
	<hr/>	<hr/>
	20,688	18,221
	<hr/> <hr/>	<hr/> <hr/>
Remuneration paid to the Principal during the year including salary and other taxable benefits	145	128
Employer's contribution to pension	10	8
	<hr/>	<hr/>
	155	136
	<hr/> <hr/>	<hr/> <hr/>

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

£50,001 - £55,000	6	4
£55,000 - £60,000	-	-
£60,001 - £65,000	1	2
£65,001 - £70,000	1	1
£70,000+	3	3

During the year two senior members of staff left the University under the voluntary severance arrangements. The total cost of these arrangements amounted to £149,300.

Notes (continued)

7 Other operating expenses

	2003 £000	2002 £000
Residences and catering expenses	812	789
Equipment and consumables	1,424	1,805
Books and periodicals	461	409
Scholarships and prizes	76	72
Property costs including utilities	729	776
Repairs and general maintenance	224	-
University of Abertay Dundee Students' Association	165	165
External auditors' remuneration	28	24
Internal auditors' remuneration	38	18
Provision against cost of Fixed Asset Investments	27	-
Loss on disposal of Current Asset Investments	83	-
Payments to Library Trust for library services	1,838	1,807
Other expenses	3,940	4,068
	<u>9,845</u>	<u>9,933</u>

8 Analysis of expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Total 2003 £000	Total 2002 £000
Academic departments	12,289		1,100	13,389	11,256
Academic services	2,105		3,185	5,290	5,166
Research grants and contracts	1,144		802	1,946	1,375
Residences and catering	280		812	1,092	1,051
Premises	1,084	845	1,059	2,988	3,214
Administration	2,438		1,594	4,032	3,583
Other expenses	1,348		1,293	2,641	4,028
	<u>20,688</u>	<u>845</u>	<u>9,845</u>	<u>31,378</u>	<u>29,673</u>

The depreciation charge has been funded by:

	2003 £000	2002 £000
Deferred capital grant released	179	209
Capital and revaluation reserve transferred	386	386
General income	280	441
	<u>845</u>	<u>1,036</u>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £000	Assets in course of construction £000	Long leasehold £000	General equipment £000	Computer specialist equipment £000	Total £000
Cost or valuation						
<i>At 1 August 2002</i>						
Valuation – 1994	19,265	-	20	-	-	19,285
Cost	11,110	265	-	1,442	1,369	14,186
Additions at cost	121	1,069	-	40	52	1,282
Disposals at valuation	2,895	-	-	-	-	2,895
Transfer	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>At 31 July 2003</i>						
Valuation – 1994	16,370	-	20	-	-	16,390
Cost	11,231	1,334	-	1,482	1,421	15,468
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2003	27,601	1,334	20	1,482	1,421	31,858
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
<i>At 1 August 2002</i>						
	3,440	-	5	836	1,298	5,579
Charge for year	559	-	-	234	52	845
Eliminated in respect of disposals	424	-	-	-	-	424
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2003	3,575	-	5	1,070	1,350	6,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 July 2003	24,026	1,334	15	412	71	25,858
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2002	26,935	265	15	606	71	27,892
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Buildings with a net book value of £13,941,000 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 Scottish Higher Education Funding Council.

Buildings with a net book value of £2,466,000 have been disposed of in the year. The net loss on disposal of £2,301,000 has been charged to Income & Expenditure. As the buildings were funded from Treasury sources, an amount equal to the net book value has been transferred between Reserves (see Note 18).

Notes (continued)

10 Fixed asset and current asset investments

	Unlisted £000
Fixed asset investments	
At beginning of year	74
Disposals	(7)
Diminution in value	(27)
	<hr/>
At end of year	40
	<hr/> <hr/>

Unlisted investments are included at the lower of cost and net realisable value.

	2003 £000	2002 £000
Current asset investments – listed securities		
At beginning of year	4,756	5,211
Additions	875	28
Disposals	(718)	-
Increase (decrease) in value	136	(483)
	<hr/>	<hr/>
At end of year	5,049	4,756
	<hr/> <hr/>	<hr/> <hr/>
11 Endowment asset investments		
	2003 £000	2002 £000
At beginning of year	483	510
Additions	1	25
Disposals	-	-
Appreciation on disposals/revaluation (note 17)	12	-
Increase (decrease) in cash balances	70	(52)
	<hr/>	<hr/>
At end of year	566	483
	<hr/> <hr/>	<hr/> <hr/>
Fixed interest stocks (listed)	17	16
Equities (listed)	200	188
Land and property	56	56
	<hr/>	<hr/>
	273	260
Bank balances held by the University	293	223
	<hr/>	<hr/>
At end of year	566	483
	<hr/> <hr/>	<hr/> <hr/>

The land and property included above relates to a property that was donated to the University.

Notes (continued)

12 Stocks

	2003 £000	2002 £000
Refectory stock	5	4
Other stock	1	6
Work in progress	68	78
	<hr/>	<hr/>
	74	88
	<hr/> <hr/>	<hr/> <hr/>

13 Debtors: amounts falling due within one year

	2003 £000	2002 £000
Debtors	2,023	1,930
Prepayments and accrued income	2,889	2,969
	<hr/>	<hr/>
	4,912	4,899
	<hr/> <hr/>	<hr/> <hr/>

14 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	463	623
Other creditors	2,001	1,079
Social security and other taxation payable	574	464
Accruals and deferred income	3,373	2,537
	<hr/>	<hr/>
	6,411	4,703
	<hr/> <hr/>	<hr/> <hr/>

15 Provisions for liabilities and charges

	2003 Pensions £000
At beginning and end of year	1,539
	<hr/> <hr/>

Notes (continued)

16 Deferred capital grants

	Funding Council £000	Other grants £000	Total £000
At beginning of year:			
Buildings	3,805	977	4,782
Equipment	152	399	551
	<hr/>	<hr/>	<hr/>
Total	3,957	1,376	5,333
	<hr/>	<hr/>	<hr/>
Cash received			
Buildings	-	240	240
Equipment	12	62	74
	<hr/>	<hr/>	<hr/>
Total	12	302	314
	<hr/>	<hr/>	<hr/>
Released to income and expenditure account:			
Buildings (note 1)	82	11	93
Equipment (note 1)	53	33	86
	<hr/>	<hr/>	<hr/>
Total (note 8)	135	44	179
	<hr/>	<hr/>	<hr/>
At end of year:			
Buildings	3,723	1,206	4,929
Equipment	111	428	539
	<hr/>	<hr/>	<hr/>
Total	3,834	1,634	5,468
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

17 Endowments

	Specific £000
At beginning of year	483
Additions in year	1
Appreciation of endowment asset investments	12
Income for year (Note 5)	76
Expenses for year	(6)
	<hr/>
At end of year	566
	<hr/> <hr/>
Representing:	
Scholarship funds	30
Prize funds	151
Other funds	385
	<hr/>
	566
	<hr/> <hr/>

Notes (continued)

18 Funds and reserves

	Capital and Revaluation reserve £000	Income and expenditure account £000	General reserve £000	Total £000
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/>
At 1 August 2001	17,175	1,561	8,602	27,338
Deficit for year	-	(243)	-	(243)
Capital transfer for year	(266)	266	-	-
Revaluation transfer for year	(120)	120	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2002	16,789	1,704	8,602	27,095
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

19 Lease obligations

	2003 £000	2002 £000
<i>Commitments under non-cancellable operating leases expiring:</i>		
Land and buildings		
Within one year	42	12
Over five years	233	226
	<hr/>	<hr/>
	275	238
	<hr/> <hr/>	<hr/> <hr/>
Equipment		
Within one year	53	53
Between two and five years	-	53
	<hr/>	<hr/>
	53	106
	<hr/> <hr/>	<hr/> <hr/>

20 Capital commitments

	2003 £000	2002 £000
Contracted but not provided for	4,923	5,100
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

21 Reconciliation of operating deficit to net cash inflow (outflow) from operating activities

	2003 £000	2002 £000
Deficit for the year	(3,941)	(243)
Interest receivable (note 5)	(365)	(353)
Depreciation charges	845	1,036
Loss on disposal of tangible fixed assets	2,301	-
Loss on disposal of current asset investments	83	-
Provision against cost of fixed asset investments	27	-
(Appreciation) diminution in value of current asset investments	(136)	483
Net donated income retained in specific endowments	70	(52)
Decrease (increase) in stock and work in progress	14	(2)
Increase in debtors	(13)	(997)
Increase in creditors	1,708	582
Increase in provisions	-	49
Release of deferred grant (note 16)	(179)	(209)
	<hr/>	<hr/>
Net cash inflow from operating activities	414	294
	<hr/> <hr/>	<hr/> <hr/>

22 Reconciliation of net cash flow to movement in net funds

	2003 £000	2002 £000
Decrease in cash in year	(239)	(626)
Cash inflow from liquid resources	157	28
	<hr/>	<hr/>
Change in net funds resulting from cash flows	(82)	(598)
Appreciation (diminution) in value of current asset investments	136	(483)
	<hr/>	<hr/>
Movement in net funds in the year	54	(1,081)
Opening net funds	5,940	7,021
	<hr/>	<hr/>
Closing net funds	5,994	5,940
	<hr/> <hr/>	<hr/> <hr/>

23 Analysis of changes in net funds

	At 1 August 2002 £000	Cash flow £000	Other non-cash change £000	At 31 July 2003 £000
Cash in hand	504	(86)	-	418
Endowment assets (note 11)	223	70	-	293
Term deposits	457	(223)	-	234
	<hr/>	<hr/>	<hr/>	<hr/>
	1,184	(239)	-	945
Current asset investments	4,756	240	53	5,049
	<hr/>	<hr/>	<hr/>	<hr/>
	5,940	1	53	5,994
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

24 Pension costs

The two principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme (STSS) and the Tayside Local Government Pension Fund (TLGPF). Both schemes are of a defined benefit type and are subject to regular 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 April 2002 the employers' contribution increased by 0.25% to 7.15% and by a further 0.25% to 7.4% from April 2003. The rate is due to increase by 5.1% to 12.5% from October 2003. 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 by the University as if the scheme were a defined contribution scheme.

The last actuarial valuation of the TLGPF (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 250%, 265% and 275% of employees' contributions were recommended from 1 April 2003, 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 TLGPF pension scheme are required:

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

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

24. Pension costs (continued)

	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	8.0	11,304	8.0	10,594
Bonds	5.0	2,644	5.5	2,376
Property	6.0	1,358	6.0	1,162
Cash	3.5	1,173	4.0	746
		16,479		14,878
Present value of scheme liabilities		22,885		17,993
		(6,406)		(3,115)

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

Movement in deficit during the year:

	2003 £000
Deficit in scheme at beginning of year	(3,115)
Current service cost	(736)
Contributions paid	909
Other finance income	(2)
Actuarial loss	(3,462)
	(6,406)
Deficit in scheme at end of year	(6,406)

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:

	2003 £000
Current service cost	736
	736
	736

Notes (continued)

24. Pension costs (continued)

Analysis of amounts included in other finance income:

	2003 £000
Expected return on pension scheme assets	1,078
Interest on pension scheme liabilities	(1,080)
	<hr/>
	(2)
	<hr/> <hr/>

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

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

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. The last actuarial valuation of this commitment was carried out in April 1999. The valuation was based on assumptions of a 9% return on investments and a 5% rate of increase in pensions. The valuation revealed a total liability in respect of these enhanced pension arrangements of £1,208,000.

During the year to 31 July 2003 the total cost of these pension arrangements for the University was:

	2003 £000	2002 £000
STSS	538	501
TLGPF	887	764
USS	35	19
Enhanced pension payments	184	168
	<hr/>	<hr/>
Strain on funds payment TLGPF	1,644	1,452
	86	-
	<hr/>	<hr/>
Total pension cost	1,730	1,452

=====

=====

Notes (continued)

25 Hardship funds from Scottish Executive Education Department

	2003 £000	2002 £000
Hardship funds received	110	169
Bank interest accrued in year	1	2
	<hr/>	<hr/>
Less payments to students	111 (111)	171 (169)
	<hr/>	<hr/>
Balance carried forward	0	2
	<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.

26 Mature Students Bursary Fund from Scottish Executive Education Department

	2003 £000	2002 £000
MSBF funds received	111	61
Bank interest accrued in year	2	1
Other income	1	-
	<hr/>	<hr/>
Less payments to students	114 (110)	62 (57)
	<hr/>	<hr/>
Balance carried forward	4	5
	<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)*

27 Post balance sheet events

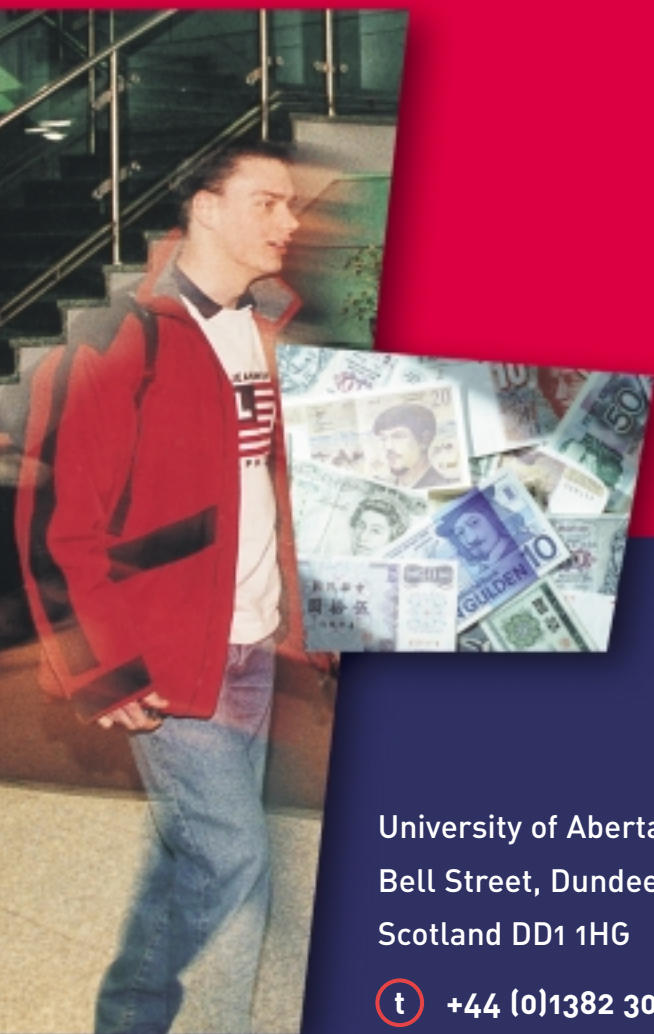
Since the end of the financial year in July 2003 there have been no significant post balance sheet events which would lead to adjustments or require disclosure within these accounts.

28 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 2003, the University of Abertay Dundee charged the University of Abertay Dundee Library Trust £1,594,907 in rental and service charges and were charged £1,837,531 by the University of Abertay Dundee Library Trust for library services. At the balance sheet date the University of Abertay Dundee Library Trust owed an amount of £151,070 to the University of Abertay Dundee.

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.

www.abertay.ac.uk



University of Abertay Dundee
Bell Street, Dundee
Scotland DD1 1HG

t +44 (0)1382 308000

f +44 (0)1382 308877



UNIVERSITY
of
ABERTAY DUNDEE