



UNIVERSITY  
*of*  
ABERTAY DUNDEE

# Annual Report and Financial Statements for the year ended July 2006



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

### Scope of the Financial Statements

The Financial Statements presented on pages 14 to 34 comprise the financial results of the University of Abertay Dundee for the year to 31 July 2006.

### Results for the Year

The results for the year to 31 July 2006 are summarised as follows:

	2006 £000	2005 £000
Income	32,455	33,603
Expenditure	32,443	33,281
	<hr/>	<hr/>
Surplus for the year before exceptional items	12	322
Profit/(loss) on disposal of fixed assets	-	(2,018)
Transfer from accumulated income within endowments	25	-
	<hr/>	<hr/>
Surplus/(deficit) for the year retained within general reserves	37	(1,695)
	<hr/> <hr/>	<hr/> <hr/>

The Committee is satisfied with the financial performance of the University for the year.

### Investment Performance

The Committee notes that the market value of listed investments held by the University has risen by 10 % in the year, continuing the turnaround from the capital losses of earlier 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 inflow of £699,000 during the year.

### **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 2005/06 the University paid 63% of invoices within 30 days, with no penalty interest incurred (2005: 66%).

### **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 2006 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.

### **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

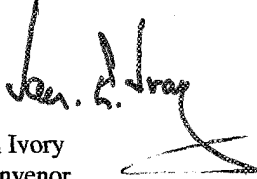
The University welcomes applications from suitably qualified candidates, regardless of any physical or sensory disability. Students with special needs are encouraged to contact the University's Special Needs Adviser in advance of application to discuss the practical implications of studying at the University.

### 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

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## 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 in July 2003, in the Turnbull Guidance on Internal Control 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, which includes internal audit and delegation of responsibilities within a regulatory framework, 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 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 2006 was as follows:

*Professor G Hewitt (Chairman)*  
*Mr T Abraham (from April 2006)*  
*Mr T J Burness*  
*Dr D Douglas*  
*Mr E Frizzell (from April 2006)*  
*Mrs S Halkerston (from April 2006)*  
*Professor B King*  
*Ms A F Markham*  
*Mr I McMillan*  
*Dr J J Morrow*  
*Mr R Rennet (until June 2006)*  
*Mr E Simpson (from January 2006)*  
*Sheriff K A Veal*  
*Mr A B Watson (from February 2006)*  
*Mrs A Wilson*

*Mr N Hawkins (Vice-Chair from January 2006)*  
*Professor A Armstrong (until April 2006)*  
*Mr K G Cargill*  
*Lady Fiona Fraser (Vice-Chair until December 2005)*  
*Professor K Gartland (until October 2005)*  
*Mr I E Ivory*  
*Mr A Macmillan Douglas*  
*Mr D McLaren*  
*Dr C J Miller (until 31 December 2005)*  
*Mr J Nicholson (from December 2005)*  
*Ms L Riddell (from 1 July 2006)*  
*Professor M T Swanston*  
*Mr J Vine (from April 2006)*  
*Mr S Watt*  
*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 2006 were:

<i>Professor N Terry (Acting Chairman)</i>	<i>Professor M T Swanston (Vice-Chairman)</i>
<i>Ms C Blake (until 31/7/06)</i>	<i>Mr K Coe</i>
<i>Mr D Dalziel</i>	<i>Mr P Durrant</i>
<i>Dr L Elder (until December 2005)</i>	<i>Dr C Fraser</i>
<i>Mr I G Lloyd</i>	<i>Mr I Longair</i>
<i>Ms C MacEachen</i>	<i>Professor M Malcolm</i>
<i>Professor L MacKinnon</i>	<i>Professor J McLeod</i>
<i>Mr J Nicholson</i>	<i>Professor S Olivier</i>
<i>Professor J Palfreyman</i>	<i>Mr S J Pimentil (from 31/07/06)</i>
<i>Mr I Simpson</i>	<i>Mrs S Stewart</i>
<i>Mr J Weir (until June 2006)</i>	<i>Professor I Young</i>
<i>Ms L Riddell (from July 2006)</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 2006 were:

<i>Mr N Hawkins (Chairman)(until January 2006)</i>	<i>Mr T J Burness (from January 2006)</i>
<i>Mr K G Cargill</i>	<i>Mr M Crowhurst</i>
<i>Professor B King</i>	<i>Mr I G Lloyd</i>
<i>Mr I McMillan</i>	<i>Mr J Nicholson</i>
<i>Mr I Simpson</i>	<i>Mrs S Stewart</i>
<i>Professor M T Swanston</i>	<i>Professor N Terry</i>
<i>Mr J Vine (from May 2006)</i>	<i>Mr J Weir (until June 2006)</i>
<i>Ms L Riddell (from July 2006)</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 2006 were:

<i>Mr I E Ivory (Chairman)</i>	<i>Ms C Blake (until 31 July 2006)</i>
<i>Mr K G Cargill</i>	<i>Mr D Dalziel</i>
<i>Professor B King</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 S J Pimentil (from 31 July 2006)</i>
<i>Mr R Rennet</i>	<i>Ms L Riddell (from 1 July 2006)</i>
<i>Professor M T Swanston</i>	<i>Professor N Terry</i>
<i>Mr J Vine (from April 2006)</i>	<i>Mr A B Watson (from April 2006)</i>
<i>Mr J Weir (until 30 June 2006)</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 Funding Council. The members of the Audit Committee for the year to 31 July 2006 were:

*Mr D McLaren (Chairman) (from April 2006)*  
*Lady Fiona Fraser (until 31/12/05)*  
*Mrs A Wilson*

*Professor A Armstrong (Chairman)*  
*Sheriff K A Veal*  
*Mr I R Wilson*

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 2006 were:

*Mr R Rennet (Chairman) (until June 2006)*  
*Mr G Burke*  
*Professor L MacKinnon*  
*Professor S Olivier*  
*Ms L Riddell (from July 2006)*  
*Professor N Terry*

*Mrs A Markham (Chairman) (from June 2006)*  
*Mr I G Lloyd*  
*Professor M Malcolm*  
*Professor J W Palfreyman*  
*Professor M T Swanston*  
*Mr J Weir (until 30 June 2006)*

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 2006 were:

*Mr I McMillan (Chairman)*  
*Professor K Gartland (until October 2005)*  
*Ms L Riddell (from July 2006)*  
*Mr J Weir (until June 2006)*

*Mr K Cargill (from April 2006)*  
*Mr R Rennet (until June 2006)*  
*Mr S Watt (from May 2006)*

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 2006 were:

*Professor G Hewitt (Chairman)*  
*Mr T Burness*  
*Mr N Hawkins (Vice-Chair from January 2006)*  
*Professor M T Swanston*

*Lady Fiona Fraser (Vice-Chair) (until December 2005)*  
*Mr I E Ivory*  
*Professor B King*

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 2006 were:

*Professor G Hewitt (Chairman)*  
*Professor A Armstrong (until April 2006)*  
*Mr I E Ivory*

*Lady Fiona Fraser (Vice Chair) (until December 2005)*  
*Mr N Hawkins (Vice-Chair) (from January 2006)*  
*Mr D McLaren (from April 2006)*



## 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 2006 were:

*Professor N Terry (Chairman)*  
*Mr M Black*  
*Mr T J Burness*  
*Miss S Davies*  
*Ms J Illian (until April 2006)*  
*Professor B King*  
*Mr A Macmillan Douglas*  
*Professor J Palfreyman*  
*Ms A Scott*  
*Mr K Sturrock*  
*Mr J Weir (until June 2006)*

*Mr I G Lloyd (Acting Chairman)*  
*Mr G Burke*  
*Dr P Collier*  
*Dr L Elder (until February 2006)*  
*Mr A Ingles*  
*Professor L MacKinnon*  
*Professor M Malcolm*  
*Professor S Olivier*  
*Mr I Simpson*  
*Dr G Walker*  
*Ms L Riddell (from July 2006)*

The University Court, 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:

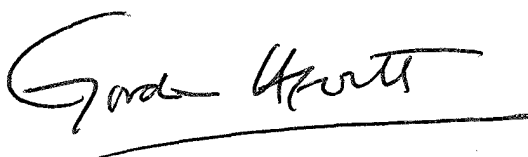
- (i) The University had no statement of primary responsibilities held by Court. Having considered the guidance, such a statement has now been produced and accepted by Court.
- (ii) The Guide indicates that it is advisable to prepare written descriptions on the role and the capabilities that are desirable 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. Court approved, in October 2005, (a) a job description, person specification and advertisement for Court members; (b) a specification of the role and responsibilities of the Chairman of Court; (c) a specification of the role and responsibilities of the Secretary to Court; (d) a specification of the role and authority of the Principal; and (e) a revised public interest disclosure (whistle blowing) policy. A public advertisement for Court members was published in April 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 strategic development of the University involves development of a strategic plan; initially produced by the management group, then approved by Senate and, finally, by Court. Court holds regular conferences at which strategic development issues are discussed and receives regular updates on implementation of objectives.

Going concern: The University Court considers that the University has adequate resources to continue in operation for the foreseeable future.

Signed by



**Professor Gordon Hewitt**  
*Chairman, University 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 2005, 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 2005, 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 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 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, Personnel 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 of the University of Abertay Dundee for the year ended 31 July 2006 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes ('the financial statements'). These financial statements 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 Principal Accounting Policies.

### **Respective responsibilities of the University Court and Auditors**

The University Court's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Scottish Funding Council, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Responsibilities of the University Court.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the University Court in accordance with the financial memorandum with the Scottish Funding Council and for no other purpose. 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 University, 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 2005 governing the University and where appropriate with the financial memorandum with the Scottish Funding Council. We also report to you if, in our opinion, the University 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 of the Convenor of the Finance, Personnel & General Purposes Committee, the Corporate Governance Statement and the Responsibilities of the University Court.

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 University and group. 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 University's or group's corporate governance procedures or their risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish 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 and 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.

## 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 2006, and of the surplus of income over expenditure and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, and with United Kingdom Generally Accepted Accounting Practice;
- ii. in all material respects, income from the Scottish 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 2005 and, where appropriate, with the Financial Memorandum dated January 2006 with the Scottish Funding Council.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Edinburgh

21 December 2006  
[Date]

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 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 2006. 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 which are treated as deferred capital grants. This is a change from the previous year's financial statements, where these items were included within Capital Reserves, which has caused the restatement of the Balance Sheet and Income and Expenditure Account. A Revaluation reserve was created for the excess of the 1994 valuation over original cost. These amounts are released to income over the expected useful life of the 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 2005 has been transferred from the 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 2006

	<i>Note</i>	2006 £000	2005 £000 <b>Restated</b>
<b>Income</b>			
Funding Council grants	<i>1</i>	18,309	18,183
Tuition fees and education contracts	<i>2</i>	6,485	6,955
Research grants and contracts	<i>3</i>	1,337	1,721
Other operating income	<i>4</i>	5,954	6,056
Endowment and investment income	<i>5</i>	370	688
		<hr/>	<hr/>
Total income		32,455	33,603
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff costs	<i>6</i>	19,090	18,639
Exceptional restructuring costs	<i>6</i>	-	339
Other operating expenses	<i>7</i>	12,058	13,249
Depreciation	<i>10</i>	1,141	1,030
Interest payable	<i>9</i>	154	24
		<hr/>	<hr/>
Total expenditure	<i>8</i>	32,443	33,281
		<hr/>	<hr/>
<b>Surplus on continuing operations after depreciation of fixed assets</b>		12	322
(Loss) on disposal of assets	<i>10</i>	-	(2,018)
		<hr/>	<hr/>
<b>Surplus/(deficit) on continuing operations after depreciation of fixed assets and disposal of assets</b>		12	(1,696)
Transfer from accumulated income within endowments		25	-
		<hr/>	<hr/>
<b>Surplus/(deficit) for the year retained within general reserves</b>		37	(1,696)
		<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 2006

Surplus/(deficit) for the financial year	<i>21</i>	37	(1,696)
Adjustment to depreciation based on historical cost		107	107
Adjustment to loss on disposal based on historical cost		-	73
		<hr/>	<hr/>
Historical surplus/(deficit) for the period		144	(1,516)
		<hr/> <hr/>	<hr/> <hr/>



**Balance sheet**  
*at 31 July 2006*

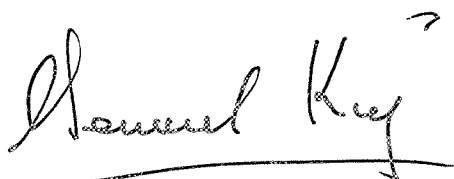
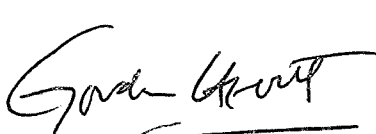
	<i>Note</i>	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
				<b>Restated</b>	<b>Restated</b>
<b>Fixed assets</b>					
Tangible assets	<i>10</i>	29,093	25,126	29,244	25,240
Investments	<i>11</i>	32	32	32	32
		<hr/>	<hr/>	<hr/>	<hr/>
Endowment asset investments	<i>12</i>	29,125 925	25,158 925	29,276 762	25,272 762
<b>Current assets</b>					
Stocks and work in progress	<i>14</i>	19	-	32	-
Long term loan to subsidiary	<i>13</i>	-	4,100	-	4,000
Debtors	<i>15</i>	3,744	4,181	4,123	4,249
Investments	<i>11</i>	5,385	5,385	5,214	5,214
Term deposits		291	291	79	79
Cash at bank and in hand		474	153	4	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	<i>16</i>	9,913 (7,131)	14,110 (7,303)	9,452 (6,096)	13,542 (6,139)
<b>Net current assets</b>		<hr/>	<hr/>	<hr/>	<hr/>
		2,782	6,807	3,356	7,403
<b>Total assets less current liabilities</b>		<hr/>	<hr/>	<hr/>	<hr/>
		32,832	32,890	33,394	33,437
<b>Creditors: amounts falling due after more than one year</b>	<i>17</i>	(2,700)	(2,700)	(3,601)	(3,601)
<b>Provisions for liabilities and charges</b>	<i>18</i>	(2,202)	(2,202)	(1,576)	(1,576)
<b>Net assets</b>		<hr/>	<hr/>	<hr/>	<hr/>
		27,930	27,988	28,217	28,260
<b>Represented by:</b>					
<b>Deferred capital grants</b>	<i>19</i>	13,577	13,577	14,064	14,064
<b>Endowments</b>					
Specific	<i>20</i>	925	925	762	762
<b>Funds and reserves</b>					
Revaluation reserve	<i>21</i>	4,247	4,247	4,354	4,354
General reserves	<i>21</i>	9,181	9,239	9,037	9,080
		<hr/>	<hr/>	<hr/>	<hr/>
		13,428	13,486	13,391	13,434
<b>Total funds</b>		<hr/>	<hr/>	<hr/>	<hr/>
		27,930	27,988	28,217	28,260

These financial statements on pages 11 to 32 were approved by Court on 15 December 2006 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 2006*

	<i>Note</i>	2006 £000	2005 £000
<b>Cash flow from operating activities</b>	<i>24</i>	2,106	853
		2,106	853
<b>Returns on investments and servicing of finance</b>			
Income from endowments		33	20
Income from current asset investments		239	251
Other interest received		29	38
Interest paid	<i>9</i>	(154)	(11)
		147	298
<b>Capital expenditure and financial investments</b>			
Payments to acquire tangible fixed assets		(990)	(5,505)
Receipts from sale of tangible fixed assets		-	229
Capital grants received		354	100
Endowments received		151	85
Endowments expenditure		(58)	(8)
Trust donation received		-	127
		(543)	(4,972)
<b>Management of liquid resources</b>			
Sale of current asset investments		297	1,382
Purchase of current asset investments		(445)	(1,179)
		(148)	203
Cash flow before financing		1,562	(3,618)
<b>Financing</b>			
New loan		-	3,250
Repayment of loan		(863)	(37)
		(863)	3,213
<b>Increase/(decrease) in cash</b>	<i>26</i>	699	(405)

**Consolidated statement of total recognised gains and losses**  
*for the year ended 31 July 2006*

	<i>Note</i>	2006 £000	2005 £000 Restated
Surplus/(deficit) after depreciation of assets and disposal of assets		37	(1,696)
Donations transferred from Creditors to Donation Reserve		-	633
New endowments	<i>20</i>	151	85
Endowment income (released)/retained for year	<i>20</i>	(25)	12
Appreciation of endowment asset investments	<i>20</i>	37	17
		<hr/>	<hr/>
Total recognised (losses)/gains relating to the year		200	(949)
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation</b>			
Opening reserves and endowments		14,153	15,101
Total recognised gains/(losses) relating to the year		200	(949)
		<hr/>	<hr/>
Closing reserves and endowments		14,353	14,153
		<hr/> <hr/>	<hr/> <hr/>

## Notes

*(forming part of the financial statements)*

### 1 Grants from Scottish Funding Council

	2006 £000	2005 £000
SFC Recurrent grant :		
Teaching Grant	15,653	15,445
Research Grant	1,028	1,250
Non-recurrent grants:		
Equipment	-	-
Strategic change grant	20	131
Other grants	1,401	1,136
Deferred capital grants released in year:		
Buildings (note 18)	88	88
Equipment (note 18)	119	133
	18,309	18,183
	18,309	18,183

### 2 Tuition fees and education contracts

	2006 £000	2005 £000
UK student fees	3,545	3,742
EU student fees (excluding UK)	534	374
Non-EU student fees	2,271	2,685
Other fees	135	154
	6,485	6,955
	6,485	6,955

### 3 Research grants and contracts

	2006 £000	2005 £000
Research councils	456	477
UK charities	212	213
UK government	590	774
UK industry	29	69
EU	43	158
Other	7	30
	1,337	1,721
	1,337	1,721

**Notes** *(continued)*

**4 Other operating income**

	2006 £000	2005 £000 Restated
Residences and catering	1,158	1,135
Library trust rental income and service charges	1,698	1,656
Other income-generating activities	385	280
Other grant income	986	1,506
Releases from deferred capital grants	585	292
Other income	574	734
	5,386	5,603
Subsidiary companies	568	453
	5,954	6,056

**5 Endowment and investment income**

	2006 £000	2005 £000
Income from endowment asset investments (note 20)	33	20
Income from current asset investments	239	251
Increase in value of current asset investments	-	333
Gain on disposal of current asset investments	69	46
Other interest receivable	29	38
	370	688
	370	688

**6 Staff numbers and costs**

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

	2006 Number	2005 Number
Senior management	10	10
Academic Departments	247	234
Academic Services	82	84
Research grants and contracts	51	48
Administration	124	134
Premises	40	41
Other	10	17
Catering and residences	13	11
	577	579
	577	579

**Notes** (continued)

*Staff costs for the above persons:*

	2006 £000	2005 £000
Senior management	943	939
Academic Departments	9,763	9,687
Academic Services	2,239	2,115
Research grants and contracts	1,367	1,531
Administration	3,337	3,276
Premises	930	892
Other	306	349
Catering and residences	205	188
	19,090	18,978
	19,090	18,978

*Classified as:*

Wages and salaries	15,844	15,473
Social security costs	1,223	1,215
Other pension costs	2,023	1,951
	19,090	18,639
Exceptional restructuring costs	-	339
	19,090	18,978
	19,090	18,978

*Costs of higher-paid employees:*

Remuneration paid to the Principal during the year including salary and other taxable benefits	175	165
Employer's contribution to pension	21	21
	196	186
	196	186

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

	Number	Number
£70,000 - £80,000	2	1
£80,000 - £90,000	2	1

**Notes** (continued)

**7 Other operating expenses**

	2006 £000	2005 £000
Residences and catering expenses	708	651
Equipment and consumables	2,009	2,119
Books and periodicals	443	432
Scholarships prizes and other endowment expenditure	58	20
Property costs including utilities	789	706
Repairs and general maintenance	160	1,197
University of Abertay Dundee Students' Association	147	168
External auditors' remuneration	29	29
Internal auditors' remuneration	40	39
Provision against cost of Fixed Asset Investments	-	7
Diminution in value of Current Asset Investments	47	-
Payments to Library Trust for library services	2,043	2,062
Travel and staff training	625	611
Professional fees	650	734
Advertising, marketing and public relations	462	587
Administration costs	626	708
Other expenses	2,240	2,683
	11,076	12,753
Subsidiary companies	982	496
	12,058	13,249

**8 Analysis of expenditure by activity**

	Staff costs £000	Depreciation £000	Other operating expenses £000	Total 2006 £000	Total 2005 £000
Academic departments	10,064	61	663	10,788	10,710
Academic services	2,328	231	3,095	5,654	5,486
Research grants and contracts	1,367	94	852	2,313	2,424
Residences and catering	205	63	708	976	902
Premises	930	498	1,166	2,594	3,557
Administration	3,890	96	3,836	7,822	7,966
Other	306	12	910	1,228	1,740
Subsidiary companies		86	982	1,068	496
	19,090	1,141	12,212	32,443	33,281
	19,090	1,141	12,212	32,443	33,281

The depreciation charge has been funded by:

	2006 £000	2005 £000 Restated
Deferred capital grant released	841	567
Revaluation reserve transferred	107	107
General income	193	356
	1,141	1,030
	1,141	1,030

**Notes** (continued)

**9 Interest payable**

	2006 £000	2005 £000
On bank loans:		
Repayable wholly or partly in more than 5 years	154	136
	-	(112)
Less capitalised		
Total	154	24

**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>(a) Group</b>						
<i>Cost or valuation</i>						
<i>At 1 August 2005</i>						
Valuation – 1994	16,104	-	20	-	-	16,124
Cost	15,318	1,250	-	1,981	2,272	20,821
Additions at cost	14	448	-	372	156	990
Disposals at cost	-	-	-	(100)	(1,092)	(1,192)
Transfer	-	-	-	207	(207)	-
	-	-	-	207	(207)	-
<i>At 31 July 2006</i>						
Valuation – 1994	16,104	-	20	-	-	16,124
Cost	15,332	1,698	-	2,460	1,129	20,619
	-	-	-	207	(207)	-
At 31 July 2006	31,436	1,698	20	2,460	1,129	36,743
<i>Depreciation</i>						
<i>At 1 August 2005</i>						
At 1 August 2005	4,524	-	5	1,495	1,677	7,701
Charge for year	622	-	-	194	325	1,141
Eliminated in respect of disposals	-	-	-	(100)	(1,092)	(1,192)
Transfer	-	-	-	207	(207)	-
	-	-	-	207	(207)	-
At 31 July 2006	5,146	-	5	1,796	703	7,650
<i>Net book value</i>						
At 31 July 2006	26,290	1,698	15	664	426	29,093
At 31 July 2005	26,898	1,250	15	486	595	29,244



**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>(b) University</b>						
<i>Cost or valuation</i>						
<i>At 1 August 2005</i>						
Valuation – 1994	16,104	-	20	-	-	16,124
Cost	11,318	1,250	-	1,977	2,272	16,817
Additions at cost	-	448	-	337	156	941
Disposals at cost	-	-	-	(100)	(1,092)	(1,192)
Transfer	-	-	-	207	(207)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>At 31 July 2006</i>						
Valuation – 1994	16,104	-	20	-	-	16,124
Cost	11,318	1,698	-	2,421	1,129	16,566
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2006	27,422	1,698	20	2,421	1,129	32,690
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
<i>At 1 August 2005</i>						
	4,524	-	5	1,495	1,677	7,701
Charge for year	541	-	-	189	325	1,055
Eliminated in respect of disposals	-	-	-	(100)	(1,092)	(1,192)
Transfer	-	-	-	207	(207)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2006	5,065	-	5	1,791	703	7,564
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 31 July 2006	22,357	1,698	15	630	426	25,126
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
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/>

Buildings with a net book value of £12,738,000 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 Funding Council.

Buildings with a total net book value of £nil and equipment of £nil have been disposed of in the year. The net loss on disposal of £nil has been debited to the Income & Expenditure Account.

**Notes** (continued)

**11 Fixed asset and current asset investments**

	<b>Unlisted £000</b>
<b>Fixed asset investments</b>	
At beginning of year	32
Additions	-
	32
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 £132,000, against which there is a provision of £35,000

	2006 £000	2005 £000
<b>Current asset investments – listed securities</b>		
At beginning of year	5,214	5,037
Additions	445	1,179
Disposals	(297)	(1,382)
Increase/(decrease) in value	23	380
	5,385	5,214
At end of year	5,385	5,214

The market value of the above current asset investments is £6,347,000 (2004/05 £5,783,000).

**12 Endowment asset investments**

	2006 £000	2005 £000
At beginning of year	762	648
Additions	151	85
Appreciation on disposals/revaluation (note 20)	37	17
(Decrease)/increase in balances held by the University	(25)	12
	925	762
<b>At end of year</b>	925	762
At market value:		
Fixed interest stocks (listed)	16	16
Equities (listed)	248	211
Land and property	130	130
	394	357
Balances held by the University	531	405
	925	762
At end of year	925	762

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 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Refectory stock		-	8	-
Other stock	19	-	24	-
	<u>19</u>	<u>-</u>	<u>32</u>	<u>-</u>
	<u><u>19</u></u>	<u><u>-</u></u>	<u><u>32</u></u>	<u><u>-</u></u>

**14 Long term loan**

	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Loan to subsidiary company	-	4,100	-	4,000
	<u>-</u>	<u>4,100</u>	<u>-</u>	<u>4,000</u>
	<u><u>-</u></u>	<u><u>4,100</u></u>	<u><u>-</u></u>	<u><u>4,000</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 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Trade debtors	195	195	407	376
Debts due from students	436	436	420	420
Due from associated companies	-	1,418	-	829
Other debtors	1,173	192	1,005	333
Prepayments and accrued income	1,940	1,940	2,291	2,291
	<u>3,744</u>	<u>4,181</u>	<u>4,123</u>	<u>4,249</u>
	<u><u>3,744</u></u>	<u><u>4,181</u></u>	<u><u>4,123</u></u>	<u><u>4,249</u></u>

**Notes** (continued)

**16 Creditors: amounts falling due within one year**

	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Bank loans	150	150	112	112
Bank overdraft	-	-	422	422
Trade creditors	1,098	1,098	686	683
Other creditors	2,427	2,599	1,468	1,465
Social security and other taxation payable	461	461	561	557
Accruals and deferred income	2,995	2,995	2,847	2,900
	<u>7,131</u>	<u>7,303</u>	<u>6,096</u>	<u>6,139</u>

**17 Creditors: amounts falling due after one year**

	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Bank loans	2,700	2,700	3,601	3,601

The above represents two tranches of a bank loan was 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 have all been charged to Income and Expenditure Account.

The above bank loans are repayable as follows:

	2006 £000	2005 £000
In one year or less	150	112
Between one and two years	150	150
Between two and five years	450	1,200
In five years or more	2,100	2,251
	<u>2,850</u>	<u>3,713</u>

**18 Provisions for liabilities and charges**

	2006 £000
At beginning of year	1,576
Expenditure in period	(143)
Revaluation adjustment	769
	<u>2,202</u>

The provision is for enhanced pension benefits to former members of staff. A valuation of the pension provision was carried out by an independent firm of actuaries at 31 July 2006.

**Notes** (continued)

**19 Deferred capital grants**

	<b>Funding Council £000</b>	<b>Other grants £000</b>	<b>Total £000</b>
At beginning of year as previously reported			
Buildings	3,864	779	4,643
Equipment	225	481	706
	<hr/>	<hr/>	<hr/>
Total	4,089	1,260	5,349
Reclassification of Capital reserve	-	8,715	8,715
	<hr/>	<hr/>	<hr/>
Restated balance at 1 <sup>st</sup> August 2005	4,089	9,975	14,064
Cash received			
Buildings	55	-	55
Equipment	299	-	299
	<hr/>	<hr/>	<hr/>
Total	354	-	354
	<hr/>	<hr/>	<hr/>
Released to income and expenditure account:			
Buildings (note 1)	88	226	314
Equipment (note 1)	119	408	527
	<hr/>	<hr/>	<hr/>
Total (note 8)	207	634	841
	<hr/>	<hr/>	<hr/>
At end of year:			
Buildings	3,831	9,268	13,099
Equipment	405	73	478
	<hr/>	<hr/>	<hr/>
Total	4,236	9,341	13,577
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The prior year adjustment arises from the recognition as Deferred Capital Grants of the Treasury sourced funding of land and buildings first capitalised in 1994, previously been treated as a capital reserve.

**20 Endowments**

	Specific £000
At beginning of year	762
Additions in year	151
Appreciation of endowment asset investments	37
Income for year (Note 5)	33
Expenses for year	(58)
	<hr/>
At end of year	925
	<hr/> <hr/>
Representing:	
Scholarship funds	49
Prize funds	170
Other funds	706
	<hr/>
	925
	<hr/> <hr/>

**Notes** *(continued)*

**21 Funds and reserves**

**(a) Group**

	<b>Capital and Revaluation reserve £000</b>	<b>Income and Expenditure reserve £000</b>	<b>Designated reserve £000</b>	<b>Total £000</b>
As previously reported				
At 1 August 2005	13,069	8,786	251	22,106
Transfer to deferred capital grants	(8,715)	-	-	(8,715)
	-----	-----	-----	-----
Restated	4,354	8,786	251	13,391
Surplus for year	-	37	-	37
Revaluation transfer for year	(107)	107	-	-
	-----	-----	-----	-----
At 31 July 2006	4,247	8,930	251	13,428
	=====	=====	=====	=====
As previously reported				
At 1 August 2004	13,611	9,507	265	23,383
Transfer to deferred capital grants	(8,930)	-	-	(8,930)
	-----	-----	-----	-----
Restated	4,681	9,507	265	14,453
Deficit for year	-	(1,696)	-	(1,696)
Designated transfer for year	-	14	(14)	-
Transfer from creditors	-	634	-	634
Disposal of fixed assets	(220)	220	-	-
Revaluation transfer for year	(107)	107	-	-
	-----	-----	-----	-----
At 31 July 2005	4,354	8,786	251	13,391
	=====	=====	=====	=====

**Notes** (continued)

**(b) University**

	<b>Capital and Revaluation reserve £000</b>	<b>Income and Expenditure reserve £000</b>	<b>Designated reserve £000</b>	<b>Total £000</b>
At 1 August 2005	13,069	8,829	251	22,149
Transfer to deferred capital grants	(8,715)	-	-	(8,715)
	<hr/>	<hr/>	<hr/>	<hr/>
Restated	4,354	8,829	251	13,434
Surplus for year	-	52	-	52
Revaluation transfer for year	(107)	107	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2006	4,247	8,988	251	13,486
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 August 2004	13,611	9,507	265	23,383
Transfer to deferred capital grants	(8,930)	-	-	(8,930)
	<hr/>	<hr/>	<hr/>	<hr/>
Restated	4,681	9,507	265	14,453
Deficit for year	-	(1,653)	-	(1,653)
Designated transfer for year	-	14	(14)	-
Transfer from creditors	-	634	-	634
Disposal of fixed assets	(220)	220	-	-
Revaluation transfer for year	(107)	107	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	4,354	8,829	251	13,434
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**22 Lease obligations**

	2006 £000	2005 £000
<i>Commitments under non-cancellable operating leases expiring:</i>		
<b>Land and buildings</b>		
Within one year	12	12
Between two and five years	43	43
Over five years	190	190
	<hr/>	<hr/>
	245	245
	<hr/> <hr/>	<hr/> <hr/>
<b>Equipment</b>		
Within one year	-	-
Between two and five years	-	-
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

**Notes** *(continued)*

**23 Capital commitments**

	2006 £000	2005 £000
Contracted but not provided for	1,046	314
	1,046	314

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

	2006 £000	2005 £000 Restated
Surplus/(deficit) for the year	37	(1,696)
Interest receivable (note 5)	(268)	(289)
Interest payable (note 9)	154	24
Depreciation charges	1,141	1,030
Loss on disposal of tangible fixed assets	-	2,018
Profit on disposal of current asset investments	(69)	(46)
Provision against cost of fixed asset investments	-	8
Diminution /(appreciation )in value of current asset investments	47	(334)
Decrease/(increase) in stock and work in progress	13	(30)
Decrease in debtors	379	1,396
Increase/(decrease) in creditors	887	(537)
Increase in provisions	626	37
Release of deferred grant (note 19)	(841)	(728)
	2,106	853

**25 Reconciliation of net cash flow to movement in net funds**

	2006 £000	2005 £000
Increase/(decrease) in cash in year	699	(405)
Cash used to increase (decrease) liquid resources	148	(203)
Cash outflow/ (inflow) from debt financing	863	(3,213)
	1,710	(3,821)
Change in net funds resulting from cash flows	1,710	(3,821)
Other non-cash change	23	380
	1,733	(3,441)
Movement in net funds in the year	1,733	(3,441)
Opening net funds	1,567	5,008
	3,300	1,567



**Notes** (continued)

**26 Analysis of changes in net funds**

	At 1 August 2005 £000	Cash flow £000	Other non-cash change £000	At 31 July 2006 £000
Cash in hand	4	470	-	474
Endowment assets (note 12)	405	(405)	-	-
Term deposits	79	212	-	291
Bank overdraft	(422)	422	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	66	699	-	765
Debt due within one year	(112)	112	(150)	(150)
Debt due after one year	(3,601)	751	150	(2,700)
Current asset investments	5,214	148	23	5,385
	<hr/>	<hr/>	<hr/>	<hr/>
	1,567	1,710	23	3,300
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**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 is accounted for as if it 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.

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 is accounted for as if it were a defined contribution scheme.

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 2006. The valuation was based on assumptions of a 6.0% return on investments and a 3.2% rate of increase in pensions. The valuation revealed a total liability in respect of these enhanced pension arrangements of £2,202,000

During the year to 31 July 2006 the total cost of these pension arrangements for the University was:

	2006 £000	2005 £000
STSS	842	839
TSF	1,144	1,080
USS	37	32
Enhanced pension payments	143	149
	<hr/>	<hr/>
Total pension cost	2,166	2,100
	<hr/> <hr/>	<hr/> <hr/>

**Notes** *(continued)*

**28 Bursary and other student support funds**

	Childcare Fund	Hardship Fund	Total 2005-06	Total 2004-05
	£000	£000	£000	£000
Balance brought forward	-	(1)	(1)	1
Allocation received in year	126	209	335	350
Expenditure	(81)	(252)	(333)	(352)
Repayable to Funding Council	-	-	-	-
Virements	(45)	45	-	-
	<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 2006 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 2006, the University of Abertay Dundee charged the University of Abertay Dundee Library Trust £1,698,000 in rental and service charges and were charged £2,043,000 by the University of Abertay Dundee Library Trust for library services. At the balance sheet date the University of Abertay Dundee was owed an amount of £80,000 by the University of Abertay Dundee Library Trust.

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



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