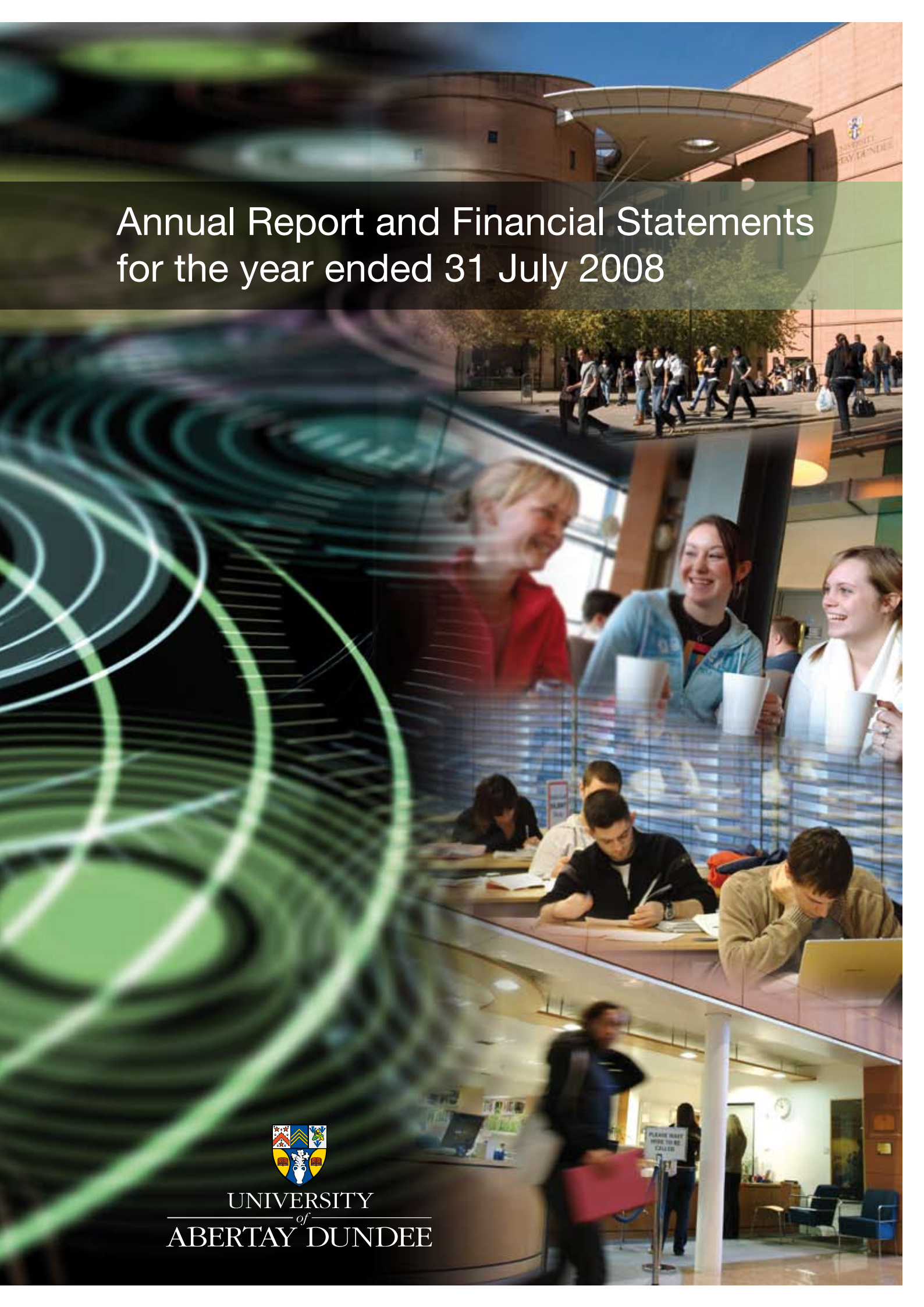


Annual Report and Financial Statements for the year ended 31 July 2008



UNIVERSITY
of
ABERTAY DUNDEE

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Operating and Financial Review

Scope of the Financial Statements

The Financial Statements presented on pages 13 to 34 comprise the financial results of the University of Abertay Dundee for the year to 31 July 2008.

Results for the Year

The results for the year to 31 July 2008 are summarised as follows:

| | 2008 £000 | 2007 £000 |
|---|--------------|--------------|
| Income | 36,074 | 34,395 |
| Expenditure | 35,207 | 33,452 |
| | 867 | 943 |
| Surplus for the year before exceptional items | 867 | 943 |
| Loss on disposal of fixed assets | (27) | (808) |
| Transfer from accumulated income within endowments | 29 | 2 |
| | 869 | 137 |
| Surplus for the year retained within general reserves | | |

The purpose of this section is to provide an overview of the University's operating and financial position, based on a comprehensive and balanced analysis of that position and in light of its mission, vision and values (University of Abertay Dundee Strategic Plan 2007-11, page 4). The context for establishing the University's strategic aims and corporate goals (op cit, page 8) is Scotland's higher education sector, and the Scottish government's current funding and regulatory regimes.

The University of Abertay Dundee is a relatively small UK and Scottish higher education institution with a turnover of around £36m, making it approximately less than one half the size of the UK average figure, although it is larger than the so-called Small Specialist Institutions (for example, Glasgow School of Art). However, unlike these specialist institutions, the University operates a full subject range of undergraduate and taught postgraduate programmes, and is fully committed to those areas of pure and applied research it has identified and developed (for example, environmental sciences, computer technology and computer arts, and the accounting for extractive industries).

The Strategic Plan 2007-11 examines the external environment and challenges faced by the institution (op cit, page 7). This analysis highlights the main regional, national and international factors and trends affecting the implementation of the Strategic Plan.

At a regional level, there are important demographic influences at work (with a projected decline in key population age groups over the next 15 years); and at a national level, there is at present much discussion at ministerial level regarding the future of funding for all of Scotland's 14 universities. Internationally, the University's competitive position in its traditional markets for recruiting postgraduate students (for example, India, China and Pakistan) is being challenged by changes to the UK Government's student entry visa processing policies and practices.

Over the financial year 2007-08, the University has made recognisable progress in relation to its corporate goals and targets (op cit, pages 10-25) across its main areas of operation: teaching and learning; portfolio development; research; regional impact; and management and governance. Such progress can be examined in terms of the 2007-08 income and expenditure position of the University.

Both undergraduate and postgraduate student enrolments have been maintained at recent levels, as indicated by the 5% (year-on-year) increase in the aggregate income for Scottish Funding Council grants and tuition fees.

Operating and Financial Review (*continued*)

Although the total income received for research grants and contracts has declined slightly, the cause of this drop is well understood and relates to a University decision to withdraw from a particular area of research. The University anticipates in future accounting periods re-establishing the trend in growing its external research income. The Strategic Plan specifies that at least 80% of all research activity is to be externally funded (*op cit*, page 23) which equates to, at current levels of research expenditure, increasing external research income by 2010-11 to approximately 110-115% of 2007-08 level.

As is the case with most other UK universities, 2007-08 has seen a continuation of significant cost pressures, including: nationally agreed staff pay increases; consequent pay bill impact arising from so-called “incremental drift”; increased employers’ pension scheme contribution rates caused by actuarial revaluations and scheme changes; and construction and commodities price increases well in excess of inflation allowances provided by the Scottish Government. The full extent of these cost pressures are clear in the 2007-08 results; for example, with almost static staff numbers (at around 560 full-time equivalents), the pay bill has risen by 8% year-on-year. All other operating expenses have been kept under strict scrutiny and the University remains vigilant in this area of budgetary planning and control. The Strategic Plan specifies a target for the University’s operating surplus (*op cit*, page 23), comprising an average of 2% of turnover for the planning period, and the 2007-08 performance is consistent with meeting that target.

Risk Management

The University has recently revised its approach to risk management, introducing a comprehensive Risk Management Policy. This policy is modelled on the Office of Government Commerce Management of Risk Framework which offers the processes, tools and techniques capable of supporting the identification, evaluation and management of, amongst others, strategic, reputational, operational, and financial risks. The revised policy builds on the University’s existing Risk Register that has allowed the introduction of effective risk management control measures in areas such as international student recruitment and capital project appraisal. With regard to the strategic risks identified by the Strategic Plan, the University has undertaken a comprehensive mapping of those risks (under each of the themes already stated: teaching and learning; portfolio; research; regional impact; and management and governance) to the existing entries and control measures in the Risk Register. For example, the identified risk: “failure in student recruitment and progression” is cross-referenced to entry number one in the Risk Register.

Future Strategy

Looking beyond the current financial year, the University has identified those factors and trends that will affect the institution’s long-term economic sustainability. Cost pressures, such as unfunded staff pay awards, are at the forefront of that thinking and, as a consequence, a recurrent cost reduction programme is being developed. This exercise is intended to retain the existing target of an operating surplus in the range of 1-3% of turnover. In addition, the University has identified areas of growth in student recruitment (especially, non-EU postgraduate students), consistent with the target of having at least 10% of its student population enrolled on postgraduate programmes (*op cit*, page 15). Finally, the University remains optimistic that the Scottish Funding Council will, through the proposals currently being considered to overhaul their funding allocation methods and metrics, provide the resources that will allow Abertay Dundee to make a greater contribution to the economic, society and cultural well-being of Scotland.

Investment Performance

The Committee notes that the market value of listed investments held by the University has declined during the year by £49,000 at 31 July 2008.

Operating and Financial Review (*continued*)

Cash Flow

The Cash Flow Statement shows that there was a net cash inflow of £4,477k 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 2007/08 the University paid 71% of invoices within 30 days, with no penalty interest incurred (2007:63%).

Constitution and Governance

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.

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.

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.

Operating and Financial Review *(continued)*

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.

Charity Registration

The University of Abertay Dundee is a charity registered in Scotland, No. SC016040.



Angus Macmillan Douglas OBE
Convenor
Finance, People & General Purposes Committee

References

University of Abertay Dundee Strategic Plan 2007 – 2011 available at:
<http://www.abertay.ac.uk/About/documents/StrategicPlan.pdf>

Corporate governance statement

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 was overseen by the Risk Management Committee of Court, is now 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, a maximum of 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 2008 was as follows:

| | |
|--|---|
| <i>Professor G Hewitt CBE(Chairman)</i> | <i>Professor M Malcolm (from 1 April 2008)</i> |
| <i>Mr N Hawkins (Vice-Chairman)</i> | <i>Ms A F Markham OBE</i> |
| <i>Mr T Abraham</i> | <i>Ms L Martin CBE (from 1 January 2008)</i> |
| <i>Mr T J Burness (until 31 December 2007)</i> | <i>Mr D McLaren</i> |
| <i>Mr K G Cargill</i> | <i>Mr I McMillan (until 31 December 2007)</i> |
| <i>Mr R Doak (from 1 January 2008)</i> | <i>Dr J J Morrow</i> |
| <i>Dr D Douglas</i> | <i>Mr J Nicholson</i> |
| <i>Mr E Frizzell CB</i> | <i>Mr E Simpson</i> |
| <i>Ms S Halkerston</i> | <i>Professor M T Swanston (until 31 March 2008)</i> |
| <i>Mr G Heron (from 1 July 2008)</i> | <i>Sheriff K A Veal</i> |
| <i>Professor B King CBE</i> | <i>Mr J Vine CBE</i> |
| <i>Mr A Love (until 30 June 2008)</i> | <i>Mr A B Watson</i> |
| <i>Mr C Macdonald (from 1 January 2008)</i> | <i>Mr S Watt</i> |
| <i>Mr A Macmillan Douglas OBE</i> | <i>Mrs A Wilson (until 31 December 2007)</i> |
| | <i>Mr I R Wilson CBE</i> |

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; 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.

Corporate governance statement (*continued*)

The members of Planning & Resources Committee for the year to 31 July 2008 were:

| | |
|---|--|
| <i>Professor N Terry (Acting Chairman)</i> | <i>Professor L MacKinnon</i> |
| <i>Professor M T Swanston (Vice-Chairman)</i> | <i>Professor J McLeod</i> |
| <i>(until 31 March 2008)</i> | <i>Professor M Malcolm (Vice-Chairman)</i> |
| <i>Dr D Blackwood</i> | <i>(from 1 April 2008)</i> |
| <i>Mr K Coe</i> | <i>Mr J Nicholson</i> |
| <i>Mr D Dalziel (until November 2007)</i> | <i>Professor S Olivier</i> |
| <i>Mr P Durrant</i> | <i>Dr C S Özveren (from March 2008)</i> |
| <i>Dr C Fraser</i> | <i>Professor J Palfreyman</i> |
| <i>Mr C Grethè (from November 2007)</i> | <i>Mr S J Pimentil</i> |
| <i>Mr G Heron (from 1 July 2008)</i> | <i>Professor A Russell (from April 2008)</i> |
| <i>Dr J Leishman (from March 2008)</i> | <i>Mr I Simpson</i> |
| <i>Mr I G Lloyd</i> | <i>Mrs S Stewart</i> |
| <i>Mr I Longair (until March 2008)</i> | <i>Mr S Watt</i> |
| <i>Mr A Love (until 30 June 2008)</i> | <i>Professor I Young</i> |
| <i>Ms C MacEachen (until March 2008)</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 2008 were:

| | |
|---|---|
| <i>Mr T J Burness (Chairman) (until 31 December 2007)</i> | <i>Professor M Malcolm (from 1 April 2008)</i> |
| <i>Mr E Frizzell CB (Chairman) (from 1 January 2008)</i> | <i>Mr I Simpson</i> |
| <i>Mr B Blackstock</i> | <i>Professor M T Swanston (until 31 March 2008)</i> |
| <i>Mr K Cargill</i> | <i>Professor N Terry</i> |
| <i>Mr N Hawkins</i> | <i>Mr J Vine CBE</i> |
| <i>Professor B King CBE</i> | <i>Mr A Love (until 30 June 2008)</i> |

The Finance, People & General Purposes Committee oversees and supervises the receipt, expenditure and control of all revenues. During the year, it was re-named the Finance, *People* and General Purposes Committee. It advises Court on all strategic, financial and people 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, People & General Purposes Committee for the year to 31 July 2008 were:

| | |
|--|---|
| <i>Mr A Macmillan Douglas OBE (Chairman)</i> | <i>Ms A Markham OBE (until September 2007)</i> |
| <i>Mr T Abraham (until September 2007)</i> | <i>Dr J Morrow</i> |
| <i>Mr E Frizzell CB</i> | <i>Mr S Pimentil</i> |
| <i>Mr C Grethè (from November 2007)</i> | <i>Professor M Swanston (until 31 March 2008)</i> |
| <i>Professor B King CBE</i> | <i>Professor N Terry</i> |
| <i>Mr A Love</i> | <i>Mr John Vine CBE</i> |
| <i>Professor M Malcolm (from 1 April 2008)</i> | <i>Mr I Wilson CBE</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, for the efficiency and effectiveness of the University's financial activities for monitoring mechanisms designed to ensure value for money across all University activities. In carrying out those duties the Audit Committee has regard to the requirements of the Code of Audit Practice issued by the Scottish Funding Council.

The members of the Audit Committee for the year to 31 July 2008 were:

| | |
|---|--|
| <i>Mr D McLaren (Chairman)</i> | <i>Mrs A Wilson (until 31 December 2007)</i> |
| <i>Ms A Markham OBE (from January 2008)</i> | <i>Mr I R Wilson CBE</i> |
| <i>Mr I McDonald (from April 2008)</i> | <i>Sheriff K A Veal</i> |
| <i>Mr A B Watson (from January 2008)</i> | |

Risk Management Committee was 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. During the year, the Risk Management Committee was de-established by Court and responsibility for risk management transferred to the Senior Management Group while responsibility for the monitoring arrangements for risk management was transferred to the Audit Committee. In order to provide continuity of approach to risk management, one member of the Risk Management Committee was invited to transfer to the Audit Committee. The members of the Risk Management Committee to 1 January 2008 were:

| | |
|------------------------------------|---------------------------------|
| <i>Ms A Markham OBE (Chairman)</i> | <i>Professor S Olivier</i> |
| <i>Mr G Burke</i> | <i>Professor J W Palfreyman</i> |
| <i>Mr I G Lloyd</i> | <i>Professor M T Swanston</i> |
| <i>Mr A Love</i> | <i>Professor N Terry</i> |
| <i>Professor L MacKinnon</i> | <i>Professor M Malcolm</i> |

The Governance Committee's purpose is, *inter alia*, to consider and bring forward recommendations in relation to issues relating to good practice in institutional governance. The members of the Governance Committee to 31 July 2008 were:

| | |
|--|---|
| <i>Mr I McMillan (Chairman) (until 31 December 2007)</i> | <i>Mr S Watt</i> |
| <i>Mr K Cargill (Chairman from January 2008)</i> | <i>Mr R Doak (from January 2008)</i> |
| <i>Mr A Love</i> | <i>Mrs L Martin CBE (from January 2008)</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, which are then referred to a Court Appointing Committee for decision, which comprises all members of Court with the exception of lay co-opted members. The Nominations Committee reviews nominees derived from the 2006 advertisement for lay members of Court and from invitations for nominees from members of Court and of staff.

The members of the Chairman's Committee for the year to 31 July 2008 were:

| | |
|--|---|
| <i>Professor G Hewitt CBE (Chairman)</i> | <i>Professor B King CBE</i> |
| <i>Mr N Hawkins (Vice-Chairman)</i> | <i>Mr A MacMillan Douglas OBE</i> |
| <i>Mr T J Burness (until 31 December 2007)</i> | <i>Professor M T Swanston (until 31 March 2008)</i> |
| <i>Professor M Malcolm (from 1 April 2008)</i> | <i>Mr E Frizzell CB (from 1 January 2008)</i> |

Corporate governance statement (*continued*)

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 2008 were:

Professor G Hewitt CBE (Chairman)
Mr N Hawkins (Vice-Chairman)
Mr K Cargill

Mr A MacMillan Douglas OBE
Mr D McLaren

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 2008 were:

Mr I G Lloyd (Acting Chairman)
Dr A Adya
Mr M Black
Mr G Burke
Mr T J Burness (until 31 December 2007)
Mr G Herron (from 1 July 2008)
Dr P Collier
Mrs S Jeffrey
Dr D Ellison
Mr P Forte
Mr A Ingles

Professor B King
Mr A Macmillan Douglas OBE
Dr L Natanson
Professor J Palfreyman
Mrs A Ross
Dr A Samuel (from October 2007)
Ms A Scott (until May 2008)
Mr I Simpson
Mrs S Stewart
Mr A Kavanagh (until 30 June 2008)
Mr D Williamson

The University Court, through its Governance Committee, carried out a comprehensive review of the effectiveness of the committees of Court and a review of the effectiveness of Court via self-administered questionnaire and semi-structured interview form, both of which had been piloted in session 2006/2007. The results, presented to Court in June 2008, concluded overall satisfaction with the ability of Court to meet its obligations, but with some specific actions identified to bring about improvements. The implementation of these actions will be overseen by the Governance Committee.

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. In the year to 31 July 2008, a new Strategic Plan 2007-11 was approved and implementation commenced.

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 CBE
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

Responsibilities of the University Court (*continued*)

- 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.

The officers and members of the Court who held office at the date of approval of the Annual Report and Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each officer and member of the Court has taken all the steps that he/she ought reasonably to have taken as an officer and member of the Court to make himself/herself aware of any relevant audit information and to establish that the University's auditors are aware of that information.

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 2008 which comprise the Consolidated Income and Expenditure Account, the Statement of Historical Cost Surpluses, the Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the University Court and auditors

The 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 Statement of 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. 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 report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the Further and Higher Education (Scotland) Act 2005 governing the institution and where appropriate with the financial memorandum with the Scottish Funding Council. We also report to you if, in our opinion, the institution has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the Operating and Financial Review and the Corporate Governance Statement.

We also review the statement of internal control included as part of the Corporate Governance Statement and comment if the statement is inconsistent with our knowledge of the institution 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 institution's group's corporate governance procedures or its 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 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 2008, and of the surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended;
- ii. the financial statements 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;
- iii. 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; and
- iv. 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
Glasgow

19 December 2008

The maintenance and integrity of the University of Abertay Dundee website is the responsibility of the 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. They have been prepared using the principal of "substance over form". 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 2008. 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. 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.

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% |

Statement of principal accounting policies (*continued*)

The depreciation charged in respect of revalued buildings for the year to 31 July 2008 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, apart from the property held by the University which has not been revalued since 2004.

Endowment Funds

Where charitable donations are restricted to a particular objective specified by the donor or where the capital element must be maintained, these are accounted for as an endowment on the balance sheet. There are three main types:

Unrestricted Permanent Endowment – the donor prescribes that the capital element of the donation must be maintained but the income earned thereon is expendable with no restriction placed on its application by the University.

Restricted Permanent Endowment – the capital fund is maintained and the income thereon must be applied to a purpose specified by the donor.

Restricted Expendable Endowments – there is no requirement to maintain the capital element but the income received is only expendable against the objectives specified by the donor.

Where donations must be applied to the purchase and / or construction of tangible fixed assets then these are recognised as a deferred capital grant on the balance sheet.

Financial Instruments

Financial Instruments are recognised on the balance sheet when an obligation is identified and released as that obligation is fulfilled. Cash, debtors, creditors and borrowing are held at cost. Measurement of investments is discussed above.

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.

Statement of principal accounting policies (*continued*)

Recurrent grants from the Funding Council are recognised in the period in which they are received. Non-recurrent grant from the Funding Council 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.

Accounting for Charitable Donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Charitable donations which are expendable with no restrictions placed on the University by the donor on the application of the donation are recognised as in the income and expenditure account during the year of receipt.

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 27.

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 2008

| | <i>Note</i> | 2008 £000 | 2007 £000 |
|---|-------------|--------------|--------------|
| Income | | | |
| Funding Council grants | <i>1</i> | 20,578 | 20,214 |
| Tuition fees and education contracts | <i>2</i> | 8,399 | 7,425 |
| Research grants and contracts | <i>3</i> | 1,008 | 1,191 |
| Other operating income | <i>4</i> | 5,278 | 4,874 |
| Endowment and investment income | <i>5</i> | 811 | 691 |
| | | <hr/> | <hr/> |
| Total income | | 36,074 | 34,395 |
| | | <hr/> | <hr/> |
| Expenditure | | | |
| Staff costs | <i>6</i> | 20,952 | 19,407 |
| Other operating expenses | <i>7</i> | 12,930 | 12,789 |
| Depreciation | <i>10</i> | 1,194 | 1,116 |
| Interest payable | <i>9</i> | 131 | 140 |
| | | <hr/> | <hr/> |
| Total expenditure | <i>8</i> | 35,207 | 33,452 |
| | | <hr/> | <hr/> |
| Surplus on continuing operations after depreciation of fixed assets | | | |
| Loss on disposal of assets | <i>10</i> | (27) | (808) |
| | | <hr/> | <hr/> |
| Surplus on continuing operations after depreciation of fixed assets and disposal of assets | | | |
| Surplus for the year transferred to accumulated income in endowment funds | | 840 | 135 |
| | | 29 | 2 |
| | | <hr/> | <hr/> |
| Surplus for the year retained within general reserves | | | |
| | | 869 | 137 |
| | | <hr/> <hr/> | <hr/> <hr/> |

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

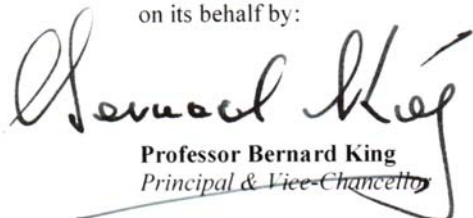
Statement of historical cost surpluses for year ended 31 July 2008


| | | | |
|--|-----------|-------------|-------------|
| Surplus for the financial year | <i>21</i> | 869 | 137 |
| Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount | | 107 | 107 |
| | | <hr/> | <hr/> |
| Historical surplus for the year | | 976 | 244 |
| | | <hr/> <hr/> | <hr/> <hr/> |


Balance sheets
at 31 July 2008

| | <i>Note</i> | Group 2008 £000 | University 2008 £000 | Group 2007 £000 | University 2007 £000 |
|--|-------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Fixed assets | | | | | |
| Tangible assets | <i>10</i> | 26,540 | 22,707 | 26,910 | 23,010 |
| Investments | <i>11</i> | 32 | 32 | 32 | 32 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | 26,572 | 22,739 | 26,942 | 23,042 |
| Endowment asset investments | <i>12</i> | 961 | 961 | 1,003 | 1,003 |
| Current assets | | | | | |
| Stocks and work in progress | <i>13</i> | 16 | - | 16 | - |
| Long term loan to subsidiary | <i>14</i> | - | 4,300 | - | 4,200 |
| Debtors | <i>15</i> | 3,884 | 4,098 | 5,389 | 6,095 |
| Investments | <i>11</i> | 5,119 | 5,119 | 4,927 | 4,927 |
| Term deposits | | 24 | 24 | 37 | 37 |
| Cash at bank and in hand | | 6,366 | 5,593 | 1,876 | 769 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | 15,409 | 19,134 | 12,245 | 16,028 |
| Creditors: amounts falling due within one year | <i>16</i> | (9,931) | (9,779) | (7,871) | (7,710) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net current assets | | 5,478 | 9,355 | 4,374 | 8,318 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets less current liabilities | | 33,011 | 33,055 | 32,319 | 32,363 |
| Creditors: amounts falling due after more than one year | | | | | |
| | <i>17</i> | (2,400) | (2,400) | (2,550) | (2,550) |
| Provisions for liabilities and charges | <i>18</i> | (2,339) | (2,339) | (2,202) | (2,202) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net assets | | 28,272 | 28,316 | 27,567 | 27,611 |
| | | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Represented by: | | | | | |
| Deferred capital grants | <i>19</i> | 12,877 | 12,877 | 12,999 | 12,999 |
| Endowments | | | | | |
| Restricted | <i>20</i> | 961 | 961 | 1,003 | 1,003 |
| Funds and reserves | | | | | |
| Revaluation reserve | <i>21</i> | 4,033 | 4,033 | 4,140 | 4,140 |
| General reserves | <i>21</i> | 10,401 | 10,445 | 9,425 | 9,469 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | 14,434 | 14,478 | 13,565 | 13,609 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total funds | | 28,272 | 28,316 | 27,567 | 27,611 |
| | | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

These financial statements on pages 13 to 34 were approved by Court on 19th December 2008 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 2008

| | <i>Note</i> | 2008 £000 | 2007 £000 |
|--|-------------|--------------|--------------|
| Cash inflow/(outflow) from operating activities | 24 | 4,759 | (27) |
| | | <hr/> | <hr/> |
| Returns on investments and servicing of finance | | | |
| Income from endowments | | 35 | 36 |
| Income from current asset investments | | 249 | 250 |
| Other interest received | | 302 | 110 |
| Interest paid | 9 | (131) | (140) |
| | | <hr/> | <hr/> |
| Cash inflow from returns on investments and servicing of finance | | 455 | 256 |
| | | <hr/> | <hr/> |
| Capital expenditure and financial investments | | | |
| Payments to acquire tangible fixed assets | | (851) | (2,294) |
| Receipts from sale of tangible fixed assets | | - | 2,553 |
| Capital grants received | | 382 | - |
| Endowments received | | - | 58 |
| Endowments expenditure | | (64) | (38) |
| Trust donation received | | - | - |
| | | <hr/> | <hr/> |
| Cash (outflow)/inflow from capital expenditure and financial investments | | (533) | 279 |
| | | <hr/> | <hr/> |
| Management of liquid resources | | | |
| Sale of current asset investments | | 1,022 | 1,013 |
| Purchase of current asset investments | | (1,038) | (261) |
| | | <hr/> | <hr/> |
| Cash (outflow)/inflow from management of liquid resources | | (16) | 752 |
| | | <hr/> | <hr/> |
| Cash inflow before financing | | 4,665 | 1,260 |
| | | <hr/> | <hr/> |
| Financing | | | |
| New loan | | - | - |
| Repayment of loan | | (188) | (112) |
| | | <hr/> | <hr/> |
| Cash outflow from financing | | (188) | (112) |
| | | <hr/> | <hr/> |
| Increase in cash | 26 | 4,477 | 1,148 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2008

| | <i>Note</i> | 2008 £000 | 2007 £000 |
|---|-------------|--------------|--------------|
| Surplus after depreciation of assets and disposal of assets | | 869 | 137 |
| New endowments | <i>12</i> | - | 58 |
| Endowment income released for year | <i>12</i> | (29) | (2) |
| (Depreciation)/Appreciation of endowment asset investments | <i>12</i> | (13) | 22 |
| | | <hr/> | <hr/> |
| Total recognised gains relating to the year | | 827 | 215 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Reconciliation | | | |
| Opening reserves and endowments | | 14,568 | 14,353 |
| Total recognised gains relating to the year | | 827 | 215 |
| | | <hr/> | <hr/> |
| Closing reserves and endowments | | 15,395 | 14,568 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Notes

(forming part of the financial statements)

1 Grants from Scottish Funding Council

| | 2008 £000 | 2007 £000 |
|---|--------------|--------------|
| SFC Recurrent grant : | | |
| Teaching Grant | 16,614 | 16,558 |
| Research Grant | 952 | 978 |
| Non-recurrent grants | 2,847 | 2,389 |
| Deferred capital grants released in year: | | |
| Buildings (note 19) | 88 | 143 |
| Equipment (note 19) | 77 | 146 |
| | 20,578 | 20,214 |
| | 20,578 | 20,214 |

2 Tuition fees and education contracts

| | 2008 £000 | 2007 £000 |
|--------------------------------|--------------|--------------|
| UK student fees | 4,212 | 3,769 |
| EU student fees (excluding UK) | 1,013 | 871 |
| Non-EU student fees | 3,072 | 2,689 |
| Other fees | 102 | 96 |
| | 8,399 | 7,425 |
| | 8,399 | 7,425 |

3 Research grants and contracts

| | 2008 £000 | 2007 £000 |
|-------------------|--------------|--------------|
| Research councils | 314 | 310 |
| UK charities | 288 | 250 |
| UK government | 278 | 436 |
| UK industry | 26 | 99 |
| EU | 98 | 95 |
| Other | 4 | 1 |
| | 1,008 | 1,191 |
| | 1,008 | 1,191 |

Notes (continued)

4 Other operating income

| | 2008 | 2007 |
|---|-------------|-------------|
| | £000 | £000 |
| Residences and catering | 1,349 | 1,315 |
| Library trust rental income and service charges | - | 846 |
| Other income-generating activities | 355 | 510 |
| Other grant income | 1,377 | 596 |
| Releases from deferred capital grants | 334 | 244 |
| Other income | 984 | 464 |
| | <hr/> | <hr/> |
| | 4,399 | 3,975 |
| Subsidiary companies | 879 | 899 |
| | <hr/> | <hr/> |
| | 5,278 | 4,874 |
| | <hr/> <hr/> | <hr/> <hr/> |

5 Endowment and investment income

| | 2008 | 2007 |
|---|-------------|-------------|
| | £000 | £000 |
| Income from endowment asset investments (note 20) | 35 | 36 |
| Income from current asset investments | 249 | 250 |
| Gain on disposal of current asset investments | 225 | 295 |
| Other interest receivable | 302 | 110 |
| | <hr/> | <hr/> |
| | 811 | 691 |
| | <hr/> <hr/> | <hr/> <hr/> |

6 Staff numbers and costs

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

| | 2008 | 2007 |
|-------------------------------|-------------|-------------|
| | Number | Number |
| Senior management | 10 | 10 |
| Academic Departments | 241 | 243 |
| Academic Services | 78 | 79 |
| Research grants and contracts | 48 | 45 |
| Administration | 130 | 125 |
| Premises | 40 | 40 |
| Other | 8 | 7 |
| Catering and residences | 11 | 13 |
| | <hr/> | <hr/> |
| | 566 | 562 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

Staff costs for the above persons:

| | 2008 £000 | 2007 £000 |
|-------------------------------|--------------|--------------|
| Senior management | 1,092 | 1,022 |
| Academic Departments | 10,220 | 9,951 |
| Academic Services | 2,551 | 2,398 |
| Research grants and contracts | 1,458 | 1,212 |
| Administration | 4,123 | 3,391 |
| Premises | 1,053 | 989 |
| Other | 254 | 228 |
| Catering and residences | 201 | 216 |
| | 20,952 | 19,407 |
| | 20,952 | 19,407 |

Classified as:

| | | |
|-----------------------|--------|--------|
| Wages and salaries | 17,268 | 16,043 |
| Social security costs | 1,326 | 1,266 |
| Other pension costs | 2,358 | 2,098 |
| | 20,952 | 19,407 |
| | 20,952 | 19,407 |

Costs of higher-paid employees:

| | | |
|---|-----|-----|
| Remuneration paid to the Principal during the year including salary and other taxable benefits | 191 | 181 |
| Employer's contribution to pension | 26 | 23 |
| | 217 | 204 |
| | 217 | 204 |

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

| | Number | Number |
|--------------------|--------|--------|
| £70,000 - £80,000 | 3 | 2 |
| £80,000 - £90,000 | - | 2 |
| £90,000 - £100,000 | 1 | - |

Compensation for loss of office payable to a senior post-holder:

| | | |
|--------------|------|------|
| | £000 | £000 |
| Compensation | 100 | - |

The severance pay was in accordance with the Institution's Remuneration Committee.

Notes (continued)

7 Other operating expenses

| | 2008 £000 | 2007 £000 |
|---|--------------|--------------|
| Residences and catering expenses | 1,014 | 628 |
| Equipment and consumables | 2,894 | 2,332 |
| Books and periodicals | 476 | 404 |
| Scholarships prizes and other endowment expenditure | 35 | 38 |
| Property costs including utilities | 808 | 801 |
| Repairs and general maintenance | 1,233 | 1,870 |
| University of Abertay Dundee Students' Association | 141 | 147 |
| External auditors' remuneration – external audit | 45 | 38 |
| External auditors' remuneration – other services | 2 | - |
| Internal auditors' remuneration | 44 | 41 |
| Diminution in value of Current Asset Investments | 49 | - |
| Payments to Library Trust for library services | - | 1,134 |
| Travel and staff training | 652 | 663 |
| Professional fees | 1,174 | 874 |
| Advertising, marketing and public relations | 521 | 392 |
| Administration costs | 723 | 634 |
| Other expenses | 1,876 | 1,517 |
| | 11,687 | 11,513 |
| Subsidiary companies | 1,243 | 1,276 |
| | 12,930 | 12,789 |

8 Analysis of expenditure by activity

| | Staff costs £000 | Depreciation £000 | Other operating expenses £000 | Total 2008 £000 | Total 2007 £000 |
|-------------------------------|---------------------|----------------------|--|-----------------------|-----------------------|
| Academic departments | 10,565 | 20 | 1,054 | 11,639 | 10,936 |
| Academic services | 2,651 | 161 | 1,068 | 3,880 | 4,928 |
| Research grants and contracts | 1,458 | 272 | 747 | 2,477 | 2,051 |
| Residences and catering | 201 | 89 | 1,014 | 1,304 | 923 |
| Premises | 1,053 | 542 | 2,652 | 4,247 | 4,525 |
| Administration | 4,770 | 0 | 3,832 | 8,602 | 7,977 |
| Other | 254 | 7 | 1,451 | 1,712 | 843 |
| Subsidiary companies | - | 103 | 1,243 | 1,346 | 1,269 |
| | 20,952 | 1,194 | 13,061 | 35,207 | 33,452 |
| | 20,952 | 1,194 | 13,061 | 35,207 | 33,452 |

The depreciation charge has been funded by:

| | 2008 £000 | 2007 £000 |
|---------------------------------|--------------|--------------|
| Deferred capital grant released | 504 | 578 |
| Revaluation reserve transferred | 107 | 107 |
| General income | 583 | 431 |
| | 1,194 | 1,116 |
| | 1,194 | 1,116 |

Notes (continued)

9 Interest payable

| | 2008 £000 | 2007 £000 |
|---|--------------|--------------|
| On bank loans: | | |
| Repayable wholly or partly in more than 5 years | 131 | 140 |
| | 131 | 140 |

10 Tangible fixed assets

| | Freehold land and buildings £000 | Short leasehold £000 | General equipment £000 | Computer specialist equipment £000 | Total £000 |
|------------------------------------|---|----------------------------|------------------------------|---|---------------|
| (a) Group | | | | | |
| <i>Cost or valuation</i> | | | | | |
| <i>At 1 August 2008</i> | | | | | |
| Valuation – 1994 | 16,104 | 20 | - | - | 16,124 |
| Cost | 15,332 | - | 2,413 | 1,661 | 19,406 |
| Additions at cost | 405 | - | 140 | 306 | 851 |
| Disposals at cost | - | - | (186) | (126) | (312) |
| | 16,104 | 20 | - | - | 16,124 |
| <i>At 31 July 2008</i> | | | | | |
| Valuation – 1994 | 16,104 | 20 | - | - | 16,124 |
| Cost | 15,737 | - | 2,367 | 1,841 | 19,945 |
| | 16,104 | 20 | - | - | 16,124 |
| At 31 July 2008 | 31,841 | 20 | 2,367 | 1,841 | 36,069 |
| | 31,841 | 20 | 2,367 | 1,841 | 36,069 |
| <i>Depreciation</i> | | | | | |
| <i>At 1 August 2008</i> | | | | | |
| Charge for year | 5,767 | 5 | 1,856 | 992 | 8,620 |
| Eliminated in respect of disposals | 620 | - | 208 | 366 | 1,194 |
| | - | - | (162) | (123) | (285) |
| | 5,767 | 5 | 1,856 | 992 | 8,620 |
| At 31 July 2008 | 6,387 | 5 | 1,902 | 1,235 | 9,529 |
| | 6,387 | 5 | 1,902 | 1,235 | 9,529 |
| <i>Net book value</i> | | | | | |
| At 31 July 2008 | 25,454 | 15 | 465 | 606 | 26,540 |
| | 25,454 | 15 | 465 | 606 | 26,540 |
| At 31 July 2007 | 25,669 | 15 | 557 | 669 | 26,910 |
| | 25,669 | 15 | 557 | 669 | 26,910 |

Notes (continued)

10 Tangible fixed assets

| | Freehold land and buildings £000 | Short leasehold £000 | General equipment £000 | Computer specialist equipment £000 | Total £000 |
|------------------------------------|---|-------------------------------------|---------------------------------------|---|-----------------------|
| (b) University | | | | | |
| <i>Cost or valuation</i> | | | | | |
| <i>At 1 August 2008</i> | | | | | |
| Valuation – 1994 | 16,104 | 20 | - | - | 16,124 |
| Cost | 11,318 | - | 2,349 | 1,661 | 15,328 |
| Additions at cost | 405 | - | 105 | 306 | 816 |
| Disposals at cost | - | - | (186) | (126) | (312) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>At 31 July 2008</i> | | | | | |
| Valuation – 1994 | 16,104 | 20 | - | - | 16,124 |
| Cost | 11,723 | - | 2,268 | 1,841 | 15,832 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 July 2008 | 27,827 | 20 | 2,268 | 1,841 | 31,956 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | | |
| <i>At 1 August 2008</i> | | | | | |
| | 5,606 | 5 | 1,839 | 992 | 8,442 |
| Charge for year | 540 | - | 184 | 366 | 1,091 |
| Eliminated in respect of disposals | - | - | (161) | (123) | (284) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 July 2008 | 6,146 | 5 | 1,862 | 1,235 | 9,249 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | | |
| At 31 July 2008 | 21,681 | 15 | 406 | 606 | 22,707 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 July 2007 | 21,816 | 15 | 510 | 669 | 23,010 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

Buildings with a net book value of £12,103,000 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.

Notes (continued)

11 Fixed asset and current asset investments

| | 2008 £000 | 2007 £000 |
|--------------------------------|--------------|--------------|
| Fixed asset investments | | |
| At 1 August | 32 | 32 |
| Additions | - | - |
| | 32 | 32 |
| At 31 July | 32 | 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 £100,000.

| | 2008 £000 | 2007 £000 |
|--|--------------|--------------|
| Current asset investments – listed securities | | |
| At 1 August | 4,927 | 5,385 |
| Additions | 1,038 | 261 |
| Disposals | (1,022) | (1,013) |
| Profit on Disposals | 225 | - |
| Increase/(decrease) in value | (49) | 294 |
| | 5,119 | 4,927 |
| At 31 July | 5,119 | 4,927 |

The market value of the above current asset investments is £5,705,000 (2006/07 £6,003,000).

12 Endowment asset investments

| | 2008 £000 | 2007 £000 |
|--|--------------|--------------|
| At 1 August | 1,003 | 925 |
| Additions | 0 | 58 |
| (Depreciation)/Appreciation on disposals/revaluation (note 20) | (13) | 22 |
| (Decrease)/increase in balances held by the University | (29) | (2) |
| | 961 | 1,003 |
| At 31 July | 961 | 1,003 |
| At market value: | | |
| Fixed interest stocks (listed) | 16 | 16 |
| Equities (listed) | 257 | 270 |
| Land and property | 130 | 130 |
| | 403 | 416 |
| Balances held by the University | 558 | 587 |
| | 961 | 1,003 |
| At 31 July | 961 | 1,003 |

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 2008 £000 | University 2008 £000 | Group 2007 £000 | University 2007 £000 |
|-------|-----------------------|----------------------------|-----------------------|----------------------------|
| Stock | 16 | - | 16 | - |
| | <u>16</u> | <u>-</u> | <u>16</u> | <u>-</u> |
| | <u><u>16</u></u> | <u><u>-</u></u> | <u><u>16</u></u> | <u><u>-</u></u> |

14 Long term loan

| | Group 2008 £000 | University 2008 £000 | Group 2007 £000 | University 2007 £000 |
|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Loan to subsidiary company | - | 4,300 | - | 4,200 |
| | <u>-</u> | <u>4,300</u> | <u>-</u> | <u>4,200</u> |
| | <u><u>-</u></u> | <u><u>4,300</u></u> | <u><u>-</u></u> | <u><u>4,200</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 2008 £000 | University 2008 £000 | Group 2007 £000 | University 2007 £000 |
|--------------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Trade debtors | 341 | 199 | 466 | 466 |
| Debts due from students | 435 | 435 | 347 | 347 |
| Due from associated companies | - | 356 | - | 1,035 |
| Other debtors | 223 | 223 | 2,970 | 2,641 |
| Prepayments and accrued income | 2,885 | 2,885 | 1,606 | 1,606 |
| | <u>3,884</u> | <u>4,098</u> | <u>5,389</u> | <u>6,095</u> |
| | <u><u>3,884</u></u> | <u><u>4,098</u></u> | <u><u>5,389</u></u> | <u><u>6,095</u></u> |

Notes (continued)

16 Creditors: amounts falling due within one year

| | Group 2008 £000 | University 2008 £000 | Group 2007 £000 | University 2007 £000 |
|--|-----------------------|----------------------------|-----------------------|----------------------------|
| Bank loans | 150 | 150 | 188 | 188 |
| Trade creditors | 1,006 | 1,006 | 932 | 932 |
| Other creditors | 2,055 | 1,903 | 2,321 | 2,160 |
| Social security and other taxation payable | 627 | 627 | 966 | 966 |
| Accruals and deferred income | 6,093 | 6,093 | 3,464 | 3,464 |
| | <u>9,931</u> | <u>9,779</u> | <u>7,871</u> | <u>7,710</u> |

17 Creditors: amounts falling due after one year

| | Group 2008 £000 | University 2008 £000 | Group 2007 £000 | University 2007 £000 |
|------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Bank loans | 2,400 | 2,400 | 2,550 | 2,550 |

The above represents a bank loan used to part-finance the construction of the Student Centre, with a repayment period of 20 years commencing on 1 July 2005 and a floating interest rate linked to LIBOR. 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:

| | 2008 £000 | 2007 £000 |
|----------------------------|--------------|--------------|
| In one year or less | 150 | 188 |
| Between one and two years | 150 | 150 |
| Between two and five years | 450 | 450 |
| In five years or more | 1,800 | 1,950 |
| | <u>2,550</u> | <u>2,738</u> |

18 Provisions for liabilities and charges

| | 2008 £000 | 2007 £000 |
|------------------------|--------------|--------------|
| At beginning of year | 2,202 | 2,202 |
| Expenditure in period | (148) | (147) |
| Revaluation adjustment | 285 | 147 |
| | <u>2,339</u> | <u>2,202</u> |

The provision is for enhanced pension benefits to former members of staff. The valuation of the pension provision has been updated at 31 July 2008 using tables supplied by the Scottish Funding Council.

Notes (continued)

19 Deferred capital grants

| | Funding Council £000 | Other grants £000 | Total £000 |
|--|---------------------------------|------------------------------|-----------------------|
| Balance at 1 August 2007 | | | |
| Buildings | 3,688 | 9,042 | 12,730 |
| Equipment | 259 | 10 | 269 |
| | <hr/> | <hr/> | <hr/> |
| Total | 3,947 | 9,052 | 12,999 |
| | <hr/> | <hr/> | <hr/> |
| Cash received | | | |
| Buildings | - | - | - |
| Equipment | - | 382 | 382 |
| | <hr/> | <hr/> | <hr/> |
| Total | - | 382 | 382 |
| | <hr/> | <hr/> | <hr/> |
| Released to income and expenditure account: | | | |
| Buildings (note 1) | 88 | 225 | 313 |
| Equipment (note 1) | 77 | 114 | 191 |
| | <hr/> | <hr/> | <hr/> |
| Total (note 8) | 165 | 339 | 504 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 July 2008 | | | |
| Buildings | 3,600 | 8,817 | 12,417 |
| Equipment | 182 | 278 | 460 |
| | <hr/> | <hr/> | <hr/> |
| Total | 3,782 | 9,095 | 12,877 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

20 Endowments

| | Restricted 2008 £000 | Restricted 2007 £000 |
|--|----------------------------|----------------------------|
| At beginning of year | 1,003 | 925 |
| Additions in year | - | 58 |
| (Depreciation)/Appreciation of endowment asset investments | (13) | 22 |
| Income for year (Note 5) | 35 | 36 |
| Expenses for year | (64) | (38) |
| | <hr/> | <hr/> |
| At end of year | 961 | 1,003 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Representing: | | |
| Scholarship funds | 53 | 51 |
| Prize funds | 182 | 175 |
| Other funds | 726 | 777 |
| | <hr/> | <hr/> |
| | 961 | 1,003 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

21 Funds and reserves

(a) Group

| | Capital and Revaluation reserve £000 | Income and Expenditure reserve £000 | Designated reserve £000 | Total £000 |
|-------------------------------|---|--|--|-----------------------|
| At 1 August 2007 | 4,140 | 9,174 | 251 | 13,565 |
| Surplus for year | - | 869 | - | 869 |
| Revaluation transfer for year | (107) | 107 | - | |
| | <u>4,033</u> | <u>10,150</u> | <u>251</u> | <u>14,434</u> |
| At 31 July 2008 | <u>4,033</u> | <u>10,150</u> | <u>251</u> | <u>14,434</u> |
| At 1 August 2006 | 4,247 | 8,930 | 251 | 13,428 |
| Surplus for year | - | 137 | - | 137 |
| Revaluation transfer for year | (107) | 107 | - | - |
| | <u>4,140</u> | <u>9,174</u> | <u>251</u> | <u>13,565</u> |
| At 31 July 2007 | <u>4,140</u> | <u>9,174</u> | <u>251</u> | <u>13,565</u> |

(b) University

| | Capital and Revaluation reserve £000 | Income and Expenditure reserve £000 | Designated reserve £000 | Total £000 |
|-------------------------------|---|--|--|-----------------------|
| At 1 August 2007 | 4,140 | 9,218 | 251 | 13,609 |
| Surplus for year | - | 869 | - | 869 |
| Revaluation transfer for year | (107) | 107 | - | - |
| | <u>4,033</u> | <u>10,194</u> | <u>251</u> | <u>14,478</u> |
| At 31 July 2008 | <u>4,033</u> | <u>10,194</u> | <u>251</u> | <u>14,478</u> |
| At 1 August 2006 | 4,247 | 8,988 | 251 | 13,486 |
| Surplus for year | - | 123 | - | 123 |
| Revaluation transfer for year | (107) | 107 | - | - |
| | <u>4,140</u> | <u>9,218</u> | <u>251</u> | <u>13,609</u> |
| At 31 July 2007 | <u>4,140</u> | <u>9,218</u> | <u>251</u> | <u>13,609</u> |

Notes *(continued)*

22 Lease obligations

| | 2008 £000 | 2007 £000 |
|---|--------------|--------------|
| <i>Commitments under non-cancellable operating leases expiring:</i> | | |
| Land and buildings | | |
| Within one year | 12 | 12 |
| Between two and five years | 57 | 55 |
| Over five years | 190 | 190 |
| | 259 | 257 |
| | 259 | 257 |
| Equipment | | |
| Within one year | - | - |
| Between two and five years | - | - |
| | - | - |
| | - | - |

23 Capital commitments

| | 2008 £000 | 2007 £000 |
|---------------------------------|--------------|--------------|
| Contracted but not provided for | 1,918 | 715 |
| | 1,918 | 715 |

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

| | 2008 £000 | 2007 £000 |
|--|--------------|--------------|
| Surplus for the year | 869 | 137 |
| Interest receivable (note 5) | (302) | (110) |
| Interest payable (note 9) | 131 | 140 |
| Depreciation charges | 1,194 | 1,116 |
| Loss on disposal of tangible fixed assets | 27 | 808 |
| Profit on disposal of current asset investments | (225) | (295) |
| Diminution in value of current asset investments | 49 | - |
| Decrease in stock and work in progress | - | 3 |
| Decrease /(increase) in debtors | 1,505 | (1,645) |
| Increase in creditors | 1,878 | 397 |
| Increase in provisions | 137 | - |
| Release of deferred grant (note 19) | (504) | (578) |
| | 4,759 | (27) |
| | 4,759 | (27) |

Notes (continued)

25 Reconciliation of net cash flow to movement in net funds

| | 2008 | 2007 |
|---|-------|-------|
| | £000 | £000 |
| Increase in cash in year | 4,477 | 1,148 |
| Cash used to (decrease)/increase liquid resources | 16 | (752) |
| Cash outflow from debt financing | 188 | 112 |
| | 4,681 | 508 |
| Change in net funds resulting from cash flows | | |
| Other non-cash change | 176 | 294 |
| | 4,857 | 802 |
| Movement in net funds in the year | | |
| Opening net funds | 4,102 | 3,300 |
| | 8,959 | 4,102 |
| Closing net funds | 8,959 | 4,102 |

26 Analysis of changes in net funds

| | At 1 August 2007 £000 | Cash flow £000 | Other non-cash change £000 | At 31 July 2008 £000 |
|---------------------------|-----------------------------|-------------------|-------------------------------------|----------------------------|
| Cash in hand | 1,876 | 4,490 | - | 6,366 |
| Term deposits | 37 | (13) | - | 24 |
| | 1,913 | 4,477 | - | 6,390 |
| Debt due within one year | (188) | 188 | (150) | (150) |
| Debt due after one year | (2,550) | - | 150 | (2,400) |
| Current asset investments | 4,927 | 16 | 176 | 5,119 |
| | 4,102 | 4,681 | 176 | 8,959 |
| | 4,102 | 4,681 | 176 | 8,959 |

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 2001. The valuation reveals assets of £4,433m and liabilities of £15,202m resulting in a deficit position of £10,769m equating to notional investments. The valuation assumes that the rate of return will be 7% and that earnings will increase by 1.5% pa. From April 2007 the employers' contribution increased by 1.0 percentage points to 13.5%. The employees' contribution increases from 6% to 6.4%. 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 2005), was based on assumptions of a nominal 7.1% return on investments, a 4.3% rate of increase in salaries and a 2.8% rate of increase in pensions. The valuation revealed a market value of assets of £1,111.8m. It also revealed liabilities of the fund of £1,221.7m, indicating a net deficit in funding of £109.9m. Employer contributions of 295% and 315% of employees' contributions were recommended from 1 April 2007 and 2008 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.

Notes (continued)

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 2007. 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 the total cost of these pension arrangements for the University was:

| | 2008 | 2007 |
|---------------------------|-------|-------|
| | £000 | £000 |
| STSS | 1,041 | 914 |
| TSF | 1,285 | 1,153 |
| USS | 32 | 31 |
| Enhanced pension payments | 148 | 147 |
| | 2,506 | 2,245 |
| Total pension cost | 2,506 | 2,245 |

28 Bursary and other student support funds

| | Childcare Fund | Hardship Fund | Total 2007-08 | Total 2006-07 |
|-----------------------------|-------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 |
| Balance brought forward | 0 | 0 | 0 | 2 |
| Allocation received in year | 109 | 235 | 344 | 351 |
| Expenditure | (109) | (235) | (344) | (353) |
| | 0 | 0 | 0 | 0 |
| Balance carried forward | 0 | 0 | 0 | 0 |

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.

29 Post balance sheet events

Since the end of the financial year in July 2008 there have been no significant post balance sheet events which would lead to adjustments or require disclosure within these accounts.

30 Contingent liability

There are no contingent liabilities at 31 July 2008.

31 Subsidiary Undertakings

The University owns 100% of the issued share capital of ordinary shares of the Abertay Student Centre Ltd. The principal activity of the company is providing a Student Centre to the students of Abertay Dundee.

The University owns 100% of the issued share capital of ordinary shares of Add Knowledge Ltd. The principal activity of the company is software development.

The results of these are included in the consolidated accounts. All other subsidiary companies are dormant.

Notes *(continued)*

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. At the balance sheet date the University of Abertay Dundee was owed an amount of £121,000 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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