

Annual Report and Financial Statements
for the year ended 31 July 2009



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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 2009.

Results for the Year

The results for the year to 31 July 2009 are summarised as follows:

	2009 £000	2008 £000
Income	37,811	36,074
Expenditure	36,979	35,207
	832	867
Surplus for the year before exceptional items	832	867
Loss on disposal of fixed assets	-	(27)
Transfer from accumulated income within endowments	27	29
	859	869
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 £38m, making it approximately less than one half the size of the UK average figure, although it is larger than the 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.

Last year saw many significant milestones, not the least of which was the celebration of our 15th Anniversary as the University of Abertay Dundee. During the year we received the results of the Research Assessment Exercise (RAE) 2008, which showed that we have significantly improved our overall performance since the previous RAE in 2001. According to the most authoritative individual subject tables (published by Research Fortnight magazine) we are the best modern university in Scotland for Earth Systems and Environmental Sciences, and second overall among UK modern universities. Some 10% of our staff in this area were described as "world-leading" and a further 75% described as producing "international" quality research. Our SIMBIOS Centre's

Operating and Financial Review (*continued*)

multi-disciplinary team of physicists, chemists, biologists, and computational modellers are building on this success by breaking new ground in the study of soil processes and finding answers to some of the most critical questions raised by the public and policy-makers on the role of soils in climate change. RAE 2008 also showed that we have become the best modern university in Scotland for research in Law and in Psychology, with 80% of staff in the former judged to be producing research of international quality. Similarly, 65% of our General Engineering staff were judged to be working at international level, and we also performed well in Business and Management Studies and in Allied Health Professions and Studies.

Our national and international networks also continued to grow. As well as signing a new strategic partnership with Adam Smith College, we have also agreed new articulation links with Stevenson College and Elmwood College. Overseas, we signed important new memoranda of agreement with four universities in China - Peking, Shanghai, Qingdao and South West University of Science and Technology – to add to our well-established link with Nanchang University.

We are currently progressing with a major building project to create the new National Centre for Excellence in Computer Games Education, on Level 2 of the Kydd Building. Externally, the works to put new cladding on the main wing of the Kydd Building are proceeding as well. The current works, both external and internal, are part of the £3 million investment in setting up the Scottish Centre for Excellence in Computer Games Education, made possible by funding we received from the Scottish Government at the same time as we won Skillset Media Academy status in our own right.

Over the financial year 2008-09, 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 2008-09 income and expenditure position of the University. We have also received additional income this year relating to a VAT tribunal from December 2007 and from the closure of the Library Trust from January 2007 which was finally dissolved on 24 August 2009. In contrast to this we have an impairment in our accounts relating to the value of the Student Centre building due to the effect of the recession.

As is the case with most other UK universities, 2008-09 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 2008-09 results; for example, with reducing staff numbers (at around 526 full-time equivalents), the pay bill has risen by 5% 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 2008-09 performance is in line with meeting that overall 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.

Operating and Financial Review (*continued*)

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 continuing. It is recognised the risk that the Higher Education Sector will be targeted for spending cuts is increasing, therefore the University anticipates the application of efficiency savings to the current teaching grant provided by Government. Although income growth strategies have been identified, maintaining the existing target of an operating surplus in the range of 1-3% of turnover is a major challenge.

Investment Performance

The Committee notes that the market value of listed investments held by the University has decreased during the year by £125,000 at 31 July 2009.

Cash Flow

The Cash Flow Statement shows that there was a net cash inflow of £1,829,000 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 2008/09 the University paid 83% of invoices within 30 days, with no penalty interest incurred (2008:71%).

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.

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.

Operating and Financial Review (*continued*)

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/media/media,322,en.pdf>

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 fully complied with 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 environment of the higher education sector. The main depository for the identification, measurement and management of risk is the University's Risk Register. This process 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, 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 2009 was as follows:

<i>Professor G Hewitt CBE (Chair)</i>	<i>Ms A F Markham OBE</i>
<i>Mr N Hawkins (Vice-Chair)</i>	<i>Mrs L Martin CBE</i>
<i>Mr T Abraham</i>	<i>Mr D McLaren</i>
<i>Mr K G Cargill</i>	<i>Dr J J Morrow</i>
<i>Mr R Doak</i>	<i>Mr J Nicholson</i>
<i>Dr D Douglas</i>	<i>Dr A Samuel (from 1 January 2009)</i>
<i>Mr E Frizzell CB</i>	<i>Mr I R Wilson CBE</i>
<i>Mrs S Halkerston</i>	<i>Mr E Simpson (until 31 December 2008)</i>
<i>Mr G Herron (until 30 June 2009)</i>	<i>Mr I Todd (from 1 July 2009)</i>
<i>Professor B King CBE</i>	<i>Sheriff K A Veal</i>
<i>Mr C Macdonald</i>	<i>Mr J Vine CBE</i>
<i>Mr A Macmillan Douglas OBE</i>	<i>Mr S Watt</i>
<i>Professor M Malcolm (until 31 July 2009)</i>	

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, Finance, People & General Purposes Committee (which has three sub-committees: Estates & Campus Services, Health and Safety and Equality and Diversity); Governance Committee; and the Remuneration Committee. Court delegates to Senate its functions relating to the overall planning, co-ordination, development and supervision of the academic work of the University. Senate has formally constituted a number of committees, all of which have clearly defined remits. In respect of its strategic and development responsibilities, the main committee of Senate is Planning & Resources Committee.

The members of Planning & Resources Committee for the year to 31 July 2009 were:

<i>Professor B King (Chair)</i>	<i>Mr I G Lloyd (until 31 March 2009)</i>
<i>Professor N Terry (Chair)</i>	<i>Dr J Leishman</i>
<i>Professor M Malcolm (Vice-Chair)(until 31 July 2009)</i>	<i>Professor L MacKinnon</i>
<i>Professor I Young (until 31 October 2008)</i>	<i>Professor J McLeod</i>
<i>Ms L Balfour</i>	<i>Mr G Herron (until 30 June 2009)</i>
<i>Mr S Watt</i>	<i>Mr J Nicholson</i>
<i>Dr D Blackwood</i>	<i>Dr C S Özveren</i>
<i>Mr K Coe</i>	<i>Professor J Palfreyman</i>
<i>Mr P Durrant</i>	<i>Mr S J Pimentil (until 31 December 2008)</i>
<i>Dr C Fraser</i>	<i>Professor A Russell</i>
<i>Mrs W Grant (from 1 January 2009)</i>	<i>Mr I Simpson</i>
<i>Mr C Grethè</i>	<i>Mrs S Stewart</i>
<i>Dr M Hartnett (from 25 February 2009)</i>	<i>Mr I Todd (from 1 July 2009)</i>

The Estates & Campus Services Sub-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 Sub-Committee for the year to 31 July 2009 were:

<i>Mr E Frizzell CB (Chair)</i>	<i>Professor M Malcolm</i>
<i>Mr B Blackstock</i>	<i>Mr J Nicholson</i>
<i>Mr K Cargill</i>	<i>Mr I Simpson</i>
<i>Mr N Hawkins</i>	<i>Professor N Terry</i>
<i>Mr G Herron (until 30 June 2009)</i>	<i>Mr I Todd (from 1 July 2009)</i>
<i>Professor B King CBE</i>	<i>Mr J Vine CBE</i>

The Finance, People & General Purposes Committee oversees and supervises the receipt, expenditure and control of all revenues. 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 2009 were:

<i>Mr A Macmillan Douglas OBE (Chair)</i>	<i>Professor M Malcolm</i>
<i>Mr T Abraham (until 31 December 2008)</i>	<i>Dr J Morrow</i>
<i>Mr E Frizzell CB</i>	<i>Professor S Olivier (from 1 April 2009)</i>
<i>Mrs W Grant (from 1 January 2009)</i>	<i>Mr S Pimentil (until 31 December 2008)</i>
<i>Mr C Grethè</i>	<i>Professor N Terry</i>
<i>Mr G Herron (until 30 June 2009)</i>	<i>Mr I Todd (from 1 July 2009)</i>
<i>Professor B King CBE</i>	<i>Mr I R Wilson CBE</i>
<i>Mr I Lloyd (until 31 March 2009)</i>	

Corporate governance statement (*continued*)

The 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 Financial Memorandum issued by the Scottish Funding Council.

The members of the Audit Committee for the year to 31 July 2009 were:

Mr D McLaren (Chair)
Ms A Markham OBE
Mr I McDonald

Mr I R Wilson CBE
Sheriff K A Veal

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 2009 were:

Mr K Cargill (Chair)
Mr G Herron (until 30 June 2009)
Mr R Doak

Professor M Malcolm (until 31 July 2009)
Mrs L Martin CBE
Mr I Todd (from 1 July 2009)

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 Court. 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 2009 were:

Professor G Hewitt CBE (Chair)
Mr N Hawkins (Vice-Chair)
Mr K Cargill
Mr E Frizzell CB

Professor B King CBE
Mr A MacMillan Douglas OBE
Professor M Malcolm (until 31 July 2009)

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 2009 were:

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

Mr E Frizzell
Mr A MacMillan Douglas OBE
Mr D McLaren

The Health & Safety Sub-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 Sub-Committee for the year to 31 July 2009 were:

Corporate governance statement (*continued*)

Mr I G Lloyd (Chair) (until 31 March 2009)
Dr A Adya
Mr M Black
Mr G Burke
Professor B King
Mr G Herron (until 30 June 2009)
Dr P Collier
Mrs S Jeffrey
Dr D Ellison
Mr P Forte

Mr A Ingles
Mr D Williamson
Dr L Natanson
Professor J Palfreyman
Mr A Payne (from 5 March 2009)
Mrs A Ross
Dr A Samuel
Mr I Simpson
Mrs S Stewart (Chair from 1 April 2009)
Mr I Todd (from 1 July 2009)

The Equality & Diversity Sub-Committee is responsible for all aspects of the University's equal opportunities policies and procedures and reporting thereon. The members of the Equality & Diversity Sub-Committee for the year to 31 July 2009 were:

Mr J Nicholson (Chair)
Mr C Grethe (Vice-Chair)
Ms L Ballester
Mrs C Boland
Mr K Brown (until 30 June 2009)
Mr D Currie (from 1 July 2009)
Professor C Di Domenico
Mr P Forte
Dr C Fraser

Mrs M Guild
Mr G Herron (until 30 June 2009)
Mr A Milne
Mrs M Oduyemi
Dr K Oduyemi
Dr S Ozveren
Mr C Rae
Dr A Samuel
Mrs S Stewart

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 was overseen by the Governance Committee during 2008/2009. The Governance Committee also oversaw the implementation of an effectiveness review of Senate and its committees during 2008/2009. The action plans arising from these reviews are being implemented.

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 2009, Court received regular updates from the senior management of the University on the implementation of the Strategic Plan 2007-11. 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, The Further and Higher Education (Scotland) Act 2005, Scottish Funding Council 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; and
- 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 and 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; and
- 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; and
- 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 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 2009 which comprise the Consolidated income and expenditure account, the Statement of historical cost surpluses, the Balance sheets, the Consolidated statement of total recognised gains and losses, the Consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the 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 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 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 also report to you whether, in our opinion, the information given in the Operating and Financial Review is consistent with those financial statements. In addition we report to you if, in our opinion, the University has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Operating and Financial Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This 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 Operating and Financial Review) 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 and the 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.

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

Basis of audit opinion

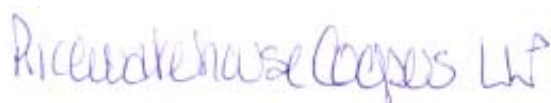
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Financial Memorandum issued by the Scottish Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures 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 2009, the group's income and expenditure, recognised gains and losses, and statement of cash flows 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
Chartered Accountants
Glasgow
18 December 2009

The maintenance and integrity of the University of Abertay Dundee website is the responsibility of the or 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* and in accordance with applicable Accounting Standards. They conform to the Accounts Direction for Scotland's colleges and universities published by the Scottish Funding Council.

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".

Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings for the year ended 31 July 2009. 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	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 2009 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 2009

	<i>Note</i>	2009 £000	2008 £000 Restated
Income			
Funding Council grants	<i>1</i>	21,260	20,578
Tuition fees and education contracts	<i>2</i>	8,240	8,399
Research grants and contracts	<i>3</i>	1,341	1,572
Other operating income	<i>4</i>	6,543	4,714
Endowment and investment income	<i>5</i>	427	811
		<hr/>	<hr/>
Total income		37,811	36,074
		<hr/>	<hr/>
Expenditure			
Staff costs	<i>6</i>	22,027	20,952
Other operating expenses	<i>7</i>	12,941	12,930
Depreciation	<i>8</i>	1,888	1,194
Interest payable	<i>9</i>	123	131
		<hr/>	<hr/>
Total expenditure	<i>8</i>	36,979	35,207
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of fixed assets			
		832	867
Loss on disposal of assets		-	(27)
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of fixed assets and disposal of assets			
		832	840
Surplus for the year transferred to accumulated income in endowment funds		27	29
		<hr/>	<hr/>
Surplus for the year retained within general reserves		859	869
		<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 2009

Surplus for the financial year	<i>21</i>	859	869
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		966	976
		<hr/> <hr/>	<hr/> <hr/>

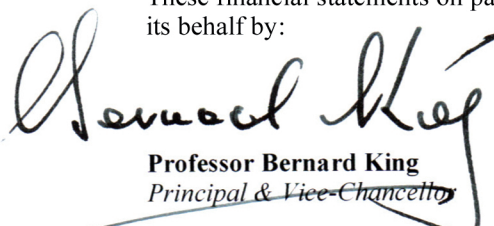
Consolidated statement of total recognised gains and losses
for the year ended 31 July 2009


	<i>Note</i>	2009 £000	2008 £000
Surplus after depreciation of assets and disposal of assets		859	869
New endowments	<i>12</i>	-	-
Endowment income released for year	<i>12</i>	(26)	(29)
Depreciation of endowment asset investments	<i>12</i>	(26)	(13)
		<hr/>	<hr/>
Total recognised gains relating to the year		807	827
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation			
Opening reserves and endowments		15,395	14,568
Total recognised gains relating to the year		807	827
		<hr/>	<hr/>
Closing reserves and endowments		16,202	15,395
		<hr/> <hr/>	<hr/> <hr/>

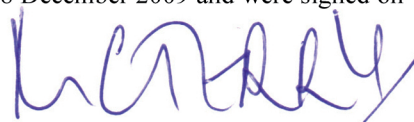
Balance sheets
at 31 July 2009

	<i>Note</i>	Group 2009 £000	University 2009 £000	Group 2008 £000	University 2008 £000
Fixed assets					
Tangible assets	<i>10</i>	25,609	22,458	26,540	22,707
Investments	<i>11</i>	25	25	32	32
		<hr/>	<hr/>	<hr/>	<hr/>
		25,634	22,483	26,572	22,739
Endowment asset investments	<i>12</i>	909	909	961	961
Long term debtor - loan to subsidiary	<i>14</i>	-	3,150	-	4,300
Current assets					
Stocks and work in progress	<i>13</i>	17	-	16	-
Debtors	<i>15</i>	3,084	3,410	3,884	4,098
Investments	<i>11</i>	5,101	5,101	5,119	5,119
Term deposits		54	54	24	24
Cash at bank and in hand		7,313	6,958	6,366	5,593
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: amounts falling due within one year	<i>16</i>	15,569 (8,964)	15,523 (8,917)	15,409 (9,931)	14,834 (9,779)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets		6,605	6,606	5,478	5,055
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		33,148	33,148	33,011	33,055
Creditors: amounts falling due after more than one year	<i>17</i>	(2,250)	(2,250)	(2,400)	(2,400)
Provisions for liabilities and charges	<i>18</i>	(2,338)	(2,338)	(2,339)	(2,339)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		28,560	28,560	28,272	28,316
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Represented by:					
Deferred capital grants	<i>19</i>	12,358	12,358	12,877	12,877
Endowments					
Restricted	<i>20</i>	909	909	961	961
Funds and reserves					
Revaluation reserve	<i>21</i>	3,926	3,926	4,033	4,033
General reserves	<i>21</i>	11,367	11,367	10,401	10,445
		<hr/>	<hr/>	<hr/>	<hr/>
		15,293	15,293	14,434	14,478
		<hr/>	<hr/>	<hr/>	<hr/>
Total funds		28,560	28,560	28,272	28,316
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

These financial statements on pages 13 to 34 were approved by Court on 18 December 2009 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 2009

	<i>Note</i>	2009 £000	2008 £000
Cash inflow from operating activities	24	1,829	4,759
		<hr/>	<hr/>
Returns on investments and servicing of finance			
Income from endowments		32	35
Income from current asset investments		262	249
Other interest received		133	302
Interest paid	9	(123)	(131)
		<hr/>	<hr/>
Cash inflow from returns on investments and servicing of finance		304	455
		<hr/>	<hr/>
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		(958)	(851)
Capital grants received		-	382
Endowments expenditure		(58)	(64)
Trust donation received			
		<hr/>	<hr/>
Cash outflow from capital expenditure and financial investments		(1,016)	(533)
		<hr/>	<hr/>
Management of liquid resources			
Sale of current asset investments		2,484	1,022
Purchase of current asset investments		(2,474)	(1,038)
		<hr/>	<hr/>
Cash inflow/(outflow) from management of liquid resources		10	(16)
		<hr/>	<hr/>
Cash inflow before financing		1,127	4,665
		<hr/>	<hr/>
Financing			
Repayment of loan		(150)	(188)
		<hr/>	<hr/>
Cash outflow from financing		(150)	(188)
		<hr/>	<hr/>
Increase in cash	26	977	4,477
		<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Grants from Scottish Funding Council

	2009 £000	2008 £000
SFC Recurrent grant :		
Teaching Grant	16,530	16,614
Research Grant	1,217	952
Non-recurrent grants	3,348	2,847
Deferred capital grants released in year:		
Buildings (note 19)	88	88
Equipment (note 19)	77	77
	21,260	20,578
	21,260	20,578

2 Tuition fees and education contracts

	2009 £000	2008 £000
UK student fees	4,777	4,212
EU student fees (excluding UK)	966	1,013
Non-EU student fees	2,432	3,072
Other fees	65	102
	8,240	8,399
	8,240	8,399

3 Research grants and contracts

	2009 £000	2008 £000 Restated
Research councils	257	314
UK charities	329	288
UK government	400	278
UK industry	3	26
EU	27	98
KTP	322	564
Other	3	4
	1,341	1,572
	1,341	1,572

The 2008 figures have been restated in order to account for the Knowledge Transfer Partnership money under Research grants and contracts instead of within Other Income.

Notes (continued)

4 Other operating income

	2009 £000	2008 £000 Restated
Residences and catering	1,431	1,349
Other income-generating activities	928	355
Other grant income	505	813
Releases from deferred capital grants	354	334
Increase in value of Current Asset Investments	3	-
Other income	2,432	984
	5,653	3,835
Subsidiary companies	890	879
	6,543	4,714

The 2008 figures have been restated in order to account for the Knowledge Transfer Partnership money under Research grants and contracts instead of within Other Income.

5 Endowment and investment income

	2009 £000	2008 £000
Income from endowment asset investments (note 20)	32	35
Income from current asset investments	262	249
Gain on disposal of current asset investments	-	225
Other interest receivable	133	302
	427	811
	427	811

6 Staff numbers and costs

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

	2009 Number	2008 Number Restated
Senior management	10	10
Academic Departments	238	238
Academic Services	70	75
Research grants and contracts	29	36
Administration	114	118
Premises	39	39
Other	15	12
Catering and residences	11	11
	526	539
	526	539

The numbers have been restated in 2008 to ensure consistency with the method used in 2009 for extracting these figures direct from the payroll system.

Notes (continued)

6 Staff numbers and costs (continued)

Staff costs for the above persons:

	2009 £000	2008 £000
Senior management	1,163	1,092
Academic Departments	10,929	10,220
Academic Services	2,542	2,551
Research grants and contracts	1,317	1,458
Administration	4,380	4,123
Premises	1,112	1,053
Other	405	254
Catering and residences	179	201
	22,027	20,952
	22,027	20,952

Classified as:

Wages and salaries	18,065	17,268
Social security costs	1,374	1,326
Other pension costs	2,588	2,358
	22,027	20,952
	22,027	20,952

Costs of higher-paid employees:

Remuneration paid to the Principal during the year including salary and other taxable benefits	211	191
Employer's contribution to pension	26	26
	237	217
	237	217

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

	Number	Number
£70,000 - £80,000	4	3
£80,000 - £90,000	2	-
£90,000 - £100,000	1	1
£100,000 - £110,000	1	-

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

	£000	£000
Compensation	45	100

The severance pay was in accordance with the Institution's Remuneration Committee. It does not include the additional pension cost of £46,000.

Notes (continued)

7 Other operating expenses

	2009 £000	2008 £000
Residences and catering expenses	1,332	1,014
Equipment and consumables	3,715	2,894
Books and periodicals	446	476
Scholarships prizes and other endowment expenditure	32	35
Property costs including utilities	888	808
Repairs and general maintenance	996	1,233
University of Abertay Dundee Students' Association	146	141
External auditors' remuneration – external audit	39	45
External auditors' remuneration – other services	5	2
Internal auditors' remuneration	62	44
Provision for Loss on Current Asset Investments	11	-
Diminution in value of Current Asset Investments	-	49
Travel and staff training	652	652
Professional fees	922	1,174
Advertising, marketing and public relations	521	521
Administration costs	681	723
Other expenses	1,186	1,876
	11,634	11,687
Subsidiary companies	1,307	1,243
	12,941	12,930

8 Analysis of expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Total 2009 £000	Total 2008 £000
Academic departments	11,312	20	572	11,904	11,639
Academic services	2,619	62	1,049	3,730	3,880
Research grants and contracts	1,317	329	761	2,407	2,477
Residences and catering	179	80	1,332	1,591	1,304
Premises	1,112	576	3,918	5,606	4,247
Administration	5,083	-	2,600	7,683	8,602
Other	405	8	1,525	1,938	1,712
Subsidiary companies	-	813	1,307	2,120	1,346
	22,027	1,888	13,064	36,979	35,207
	22,027	1,888	13,064	36,979	35,207

The depreciation charge has been funded by:

	2009 £000	2008 £000
Deferred capital grant released	518	504
Revaluation reserve transferred	107	107
General income	1,263	583
	1,888	1,194
	1,888	1,194

Notes (continued)

9 Interest payable

	2009 £000	2008 £000
On bank loans:		
Repayable wholly or partly in more than 5 years	123	131
	123	131

10 Tangible fixed assets

	Freehold land and buildings £000	Short leasehold £000	General equipment £000	Computer specialist equipment £000	Total £000
(a) Group					
Cost or valuation					
<i>At 1 August 2008</i>					
Valuation – 1994	16,104	20	-	-	16,124
Cost	15,737	-	2,367	1,841	19,945
Additions at cost	655	-	217	86	958
Disposals at cost			(1)	(85)	(86)
	16,104	20	-	-	16,124
<i>At 31 July 2009</i>					
Valuation – 1994	16,104	20	-	-	16,124
Cost	16,392	-	2,583	1,842	20,817
	16,104	20	-	-	16,124
At 31 July 2009	32,496	20	2,583	1,842	36,941
	32,496	20	2,583	1,842	36,941
Depreciation					
<i>At 1 August 2008</i>					
Charge for year	639	-	232	321	1,192
Impairment of assets	696	-	-	-	696
Eliminated in respect of disposals	-	-	-	(85)	(85)
	6,387	5	1,902	1,235	9,529
At 31 July 2009	7,722	5	2,134	1,471	11,332
	7,722	5	2,134	1,471	11,332
Net book value					
At 31 July 2009	24,774	15	449	371	25,609
At 31 July 2008	25,454	15	465	606	26,540

There has been an impairment in the valuation of the Student Centre which is reflected above.

Notes (continued)

10 Tangible fixed assets (continued)

	Freehold land and buildings £000	Short leasehold £000	General equipment £000	Computer specialist equipment £000	Total £000
(b) University					
Cost or valuation					
<i>At 1 August 2008</i>					
Valuation – 1994	16,104	20	-	-	16,124
Cost	11,723	-	2,268	1,841	15,832
Additions at cost	621	-	119	86	826
Disposals at cost	-	-	-	(85)	(85)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>At 31 July 2009</i>					
Valuation – 1994	16,104	20	-	-	16,124
Cost	12,344	-	2,387	1,842	16,573
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	28,448	20	2,387	1,842	32,697
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
<i>At 1 August 2008</i>					
	6,146	5	1,862	1,236	9,249
Charge for year	559	-	196	320	1,075
Eliminated in respect of disposals	-	-	-	(85)	(85)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	6,705	5	2,058	1,471	10,239
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 July 2009	21,743	15	329	371	22,458
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2008	21,681	15	406	606	22,707
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Buildings with a net book value of £11,782,000 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

	2009 £000	2008 £000
Fixed asset investments		
At 1 August	25	32
Additions	-	-
	25	32
At 31 July	25	32

Unlisted investments are included at cost less provision for permanent diminution in value. The cost of the above investments is £25,000 and no diminution in value is deemed necessary. The remaining investment is in CVCP Properties plc.

	2009 £000	2008 £000
Current asset investments – listed securities		
At 1 August	5,119	4,927
Additions	2,474	1,038
Disposals	(2,484)	(1,022)
(Loss)/Profit on Disposals	(11)	225
Increase/(Decrease) in value	3	(49)
	5,101	5,119
At 31 July	5,101	5,119

The market value of the above current asset investments is £5,580,000 (2007/08 £5,705,000).

12 Endowment asset investments

	2009 £000	2008 £000
At 1 August	961	1,003
Additions	0	0
Depreciation on disposals/revaluation (note 20)	(26)	(13)
Decrease in balances held by the University	(26)	(29)
	909	961
At 31 July	909	961
At market value:		
Fixed interest stocks (listed)	-	16
Equities (listed)	648	257
Land and property	130	130
	778	403
Balances held by the University	131	558
	909	961
At 31 July	909	961

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 2009 £000	University 2009 £000	Group 2008 £000	University 2008 £000
Stock	17	-	16	-
	<u>17</u>	<u>-</u>	<u>16</u>	<u>-</u>
	<u><u>17</u></u>	<u><u>-</u></u>	<u><u>16</u></u>	<u><u>-</u></u>

14 Long term loan

	Group 2009 £000	University 2009 £000	Group 2008 £000	University 2008 £000
Loan to subsidiary company	-	3,150	-	4,300
	<u>-</u>	<u>3,150</u>	<u>-</u>	<u>4,300</u>
	<u><u>-</u></u>	<u><u>3,150</u></u>	<u><u>-</u></u>	<u><u>4,300</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. Although the loan is actually £4,160,000 we have written this down in our accounts to equate to the recent valuation of the property.

15 Debtors: amounts falling due within one year

	Group 2009 £000	University 2009 £000	Group 2008 £000	University 2008 £000
Trade debtors	347	307	341	199
Debts due from students	121	121	435	435
Due from associated companies	-	366	-	356
Other debtors	313	313	223	223
Prepayments and accrued income	2,303	2,303	2,885	2,885
	<u>3,084</u>	<u>3,410</u>	<u>3,884</u>	<u>4,098</u>
	<u><u>3,084</u></u>	<u><u>3,410</u></u>	<u><u>3,884</u></u>	<u><u>4,098</u></u>

Notes (continued)

16 Creditors: amounts falling due within one year

	Group 2009 £000	University 2009 £000	Group 2008 £000	University 2008 £000
Bank loans	150	150	150	150
Trade creditors	893	848	1,006	1,006
Other creditors	3,745	3,745	2,055	1,903
Social security and other taxation payable	448	446	627	627
Accruals and deferred income	3,728	3,728	6,093	6,093
	<u>8,964</u>	<u>8,917</u>	<u>9,931</u>	<u>9,779</u>

17 Creditors: amounts falling due after one year

	Group 2009 £000	University 2009 £000	Group 2008 £000	University 2008 £000
Bank loans	2,250	2,250	2,400	2,400

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:

	2009 £000	2008 £000
In one year or less	150	150
Between one and two years	150	150
Between two and five years	450	450
In five years or more	1,650	1,800
	<u>2,400</u>	<u>2,550</u>

18 Provisions for liabilities and charges

	2009 £000	2008 £000
At beginning of year	2,339	2,202
Expenditure in period	(150)	(148)
Revaluation adjustment	149	285
	<u>2,338</u>	<u>2,339</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 2009 with a valuation carried out by an independent firm of actuaries.

Notes (continued)

19 Deferred capital grants

	Funding Council £000	Other grants £000	Total £000
Balance at 1 August 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/>
Cash received			
Buildings	-	-	-
Equipment	-	-	-
	<hr/>	<hr/>	<hr/>
Total	-	-	-
	<hr/>	<hr/>	<hr/>
Released to income and expenditure account:			
Buildings (note 1)	88	226	314
Equipment (note 1)	77	128	205
	<hr/>	<hr/>	<hr/>
Total (note 8)	165	354	519
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2009			
Buildings	3,512	8,591	12,103
Equipment	105	150	255
	<hr/>	<hr/>	<hr/>
Total	3,617	8,741	12,358
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

20 Endowments

	Restricted 2009 £000	Restricted 2008 £000
At 1 August	961	1,003
Depreciation of endowment asset investments	(26)	(13)
Income for year (Note 5)	32	35
Expenses for year	(58)	(64)
	<hr/>	<hr/>
At 31 July	909	961
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Scholarship funds	54	53
Prize funds	168	182
Other funds	687	726
	<hr/>	<hr/>
	909	961
	<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 2008	4,033	10,150	251	14,434
Surplus for year	-	859	-	859
Revaluation transfer for year	(107)	107	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	3,926	11,116	251	15,293
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 August 2007	4,140	9,174	251	13,565
Surplus for year	-	869	-	869
Revaluation transfer for year	(107)	107	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2008	4,033	10,150	251	14,434
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(b) University

	Capital and Revaluation reserve £000	Income and Expenditure reserve £000	Designated reserve £000	Total £000
At 1 August 2008	4,033	10,194	251	14,478
Surplus for year	-	815	-	815
Revaluation transfer for year	(107)	107	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	3,926	11,116	251	15,293
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 August 2007	4,140	9,218	251	13,609
Surplus for year	-	869	-	869
Revaluation transfer for year	(107)	107	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2008	4,033	10,194	251	14,478
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

22 Lease obligations

	2009 £000	2008 £000
<i>Commitments under non-cancellable operating leases expiring:</i>		
Land and buildings		
Within one year	58	12
Between two and five years	-	57
Over five years	190	190
	248	259
	248	259
Equipment		
Within one year	-	-
Between two and five years	-	-
	-	-
	-	-

23 Capital commitments

	2009 £000	2008 £000
Contracted but not provided for	3,553	1,918
	3,553	1,918

24 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2009 £000	2008 £000
Surplus for the year	859	869
Interest receivable (note 5)	(133)	(302)
Interest payable (note 9)	123	131
Income from current asset investments	(262)	(249)
Depreciation charges	1,888	1,194
Loss on disposal of tangible fixed assets	-	27
Loss/(Profit) on disposal of current asset investments	11	(225)
Depreciation of endowments	(26)	(13)
Depreciation on disposals/revaluation of endowment asset investments	26	13
Decrease in balances held by the University of endowment asset investments	26	29
Loss on unlisted investments	7	-
(Increase)/Diminution in value of current asset investments	(3)	49
Increase in stock and work in progress	(1)	-
Decrease in debtors	800	1,505
(Decrease)/Increase in creditors	(968)	2,098
Decrease in provisions	1	137
Release of deferred grant (note 19)	(519)	(504)
	1,829	4,759
	1,829	4,759

Notes (continued)

25 Reconciliation of net cash flow to movement in net funds

	2009	2008
	£000	£000
Increase in cash in year	977	4,477
Cash used to (decrease)/increase liquid resources	(10)	16
Cash outflow from debt financing	150	188
	<hr/>	<hr/>
Change in net funds resulting from cash flows	1,117	4,681
Other non-cash change	(8)	176
	<hr/>	<hr/>
Movement in net funds in the year	1,109	4,857
Opening net funds	8,959	4,102
	<hr/>	<hr/>
Closing net funds	<u>10,068</u>	<u>8,959</u>

26 Analysis of changes in net funds

	At 1 August 2008	Cash flow	Other non-cash change	At 31 July 2009
	£000	£000	£000	£000
Cash in hand	6,366	947	-	7,313
Term deposits	24	30	-	54
	<hr/>	<hr/>	<hr/>	<hr/>
	6,390	977	-	7,367
Debt due within one year	(150)	150	(150)	(150)
Debt due after one year	(2,400)	-	150	(2,250)
Current asset investments	5,119	(10)	(8)	5,101
	<hr/>	<hr/>	<hr/>	<hr/>
	8,959	1,117	(8)	10,068
	<u>8,959</u>	<u>1,117</u>	<u>(8)</u>	<u>10,068</u>

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 2005. The valuation reveals assets of £18,521m and liabilities of £19,521m resulting in a deficit position of £1m equating to notional investments. The valuation assumes that the rate of return will be 5.3% and that earnings will increase by 1.0% pa. From April 2007 the employers' contribution increased by 1.0 percentage points to 13.5%. The employees' contribution increased 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 2008), was based on assumptions of a nominal 7.8% return on investments, a 5.2% rate of increase in salaries and a 3.7% rate of increase in pensions. The valuation revealed a market value of assets of £1,558.3m. It also revealed liabilities of the fund of £1,596.6m, indicating a net deficit in funding of £38.3m. Employer contributions were 18.5% from 1 April 2009 and employees contributions became variable based on salary. Because the University is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as

Notes (continued)

27 Pension costs (continued)

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 2009. The valuation was based on assumptions of a 6.0% return on investments and a 3.6% rate of increase in pensions. The valuation revealed a total liability in respect of these enhanced pension arrangements of £2,338,000.

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

	2009 £000	2008 £000
STSS	1,157	1,041
TSF	1,397	1,285
USS	34	32
Enhanced pension payments	196	148
	<hr/>	<hr/>
Total pension cost	2,784	2,506
	<hr/> <hr/>	<hr/> <hr/>

28 Childcare and other student support funds

	Childcare Fund £000	Discre- tionary Fund £000	Total 2008-09 £000	Total 2007-08 £000
Balance brought forward	0	0	0	0
Allocation received in year	105	238	343	344
Expenditure	(104)	(237)	(341)	(344)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance carried forward	1	1	2	0
	<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.

29 Post balance sheet events

Since the end of the financial year on 31 July 2009 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 2009.

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.

Notes (*continued*)

31 Subsidiary Undertakings (*continued*)

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 accounting year end for Add Knowledge Ltd is 31 August.

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

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 £260,000 by the University of Abertay Dundee Library Trust which was paid to the University in August 2009 when the Trust was formally wound up.

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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