



**ABERDEEN COLLEGE**

**FINANCIAL STATEMENTS  
for the Year to 31 July 2001**

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## Report by the Board of Management of Aberdeen College

### Introduction

The Board of Management of Aberdeen College presents the financial statements of the College and its wholly owned subsidiaries for the year to 31 July 2001.

### Scope of the Financial Statements

The Board presents the consolidated financial statements of the College and its subsidiary companies. These subsidiary companies are: Aberdeen Skills and Enterprise Training Limited (ASET) (a company engaged in the provision of education and training) and Clinterty Estates Limited (a company that ceased to trade in April 1998). ASET passes all its taxable profits to the College by way of Gift Aid in order to mitigate the tax liability of the Company and to maximise its financial contribution to the College.

### Review of Financial Outturn for the Reporting Period

The Income and Expenditure account for the period showed a deficit on continuing operations after depreciation of assets at valuation, disposals of assets and taxation of £2,007,000 (FY1999-00 - £1,179,000 deficit). After adjusting for the effect of depreciation on re-valued assets, and the realisation of property revaluation gains of previous years, the historical cost surplus for the period was a deficit of £683,000 (FY1999-00-£2,659,000 surplus).

The accumulated deficit on the Income and Expenditure Account at 31 July 2001 was £2,753,000 (31 July 2000 - £2,900,000 deficit). This deficit is attributable to the requirement on the Board to provide an accounting provision for future pension costs arising from early retirement of former staff and the equalisation of pension contributions under the Local Government Pension Scheme. The amount of this provision at 31 July 2001 was £4,153,000 (31 July 2000 - £3,994,000). In addition, the accounting provision for the excess of cost over payment to pension funds increased in the period to £594,000 (31 July 2000 - £163,000).

The College's cash position in the period increased by £592,000 (FY1999-00- £1,552,000 increase).

### Physical Developments

In the reporting period, the College spent £2,438,000 improving accommodation. Projects included rewiring the Tower and East Blocks of the Gallowgate Centre at a cost of £1,322,000; alterations to all College Centres to improve access for clients with disability at a cost of £586,000; creation of a 'one-stop-shop' at Gallowgate Centre to provide an improved admissions service to clients at a cost of £69,000; and refurbishment of teaching kitchens at Gallowgate Centre at a cost of £65,000.

Investment continued in equipment. In the period, the College invested £1,288,000 in information and communication technologies equipment and a further £238,000 in a broad range of equipment for teaching and support functions.

### Future Development of the College Estate

The Board has reaffirmed its Accommodation Strategy to reduce the number of teaching sites owned by the College and to invest disposal proceeds in facilities at Gallowgate, Altens and Clinterty Centres. The strategy had been developed with the assistance and support of the former Scottish Office and officials of the SFEFC.

Work will begin in early-2002 to replace lifts in the Tower Block at Gallowgate Centre at budgeted cost of £565,000. These works form part of the Board's accommodation strategy. Creation of the Multi-Media Centre of Excellence at Gallowgate Centre will be completed by the end of 2001 at a total budgeted cost of £245,000. Planned maintenance programmes will be progressed at a budgeted cost of £450,000.

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Investment will continue to improve ICT infrastructure by maintaining the currency of equipment, extending the range of ICT resources available to students and staff and increasing the capacity of the College data network to carry data, voice and video communications.

#### Supplier Payment

The College complies where appropriate with the CBI prompt payment code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes are handled as quickly as possible. Supplier invoices were paid in 34 days in the year to 31 July 2001.

#### Membership of the Board of Management

The undernoted individuals were Members of the Board of Management during the reporting period:

Mr. G Watt (Chairman from 1 April 2001)  
Mr. R Angus  
Mrs. C Allon (Appointed October 2000 and Resigned September 2001)  
Cllr. A Cameron (Appointed October 2000)  
Mrs. M Donald  
Mr. J Graham  
Mr. P Hannan (Appointed October 2000)  
Mr. W Lawson  
Mr. J MacDonell (Appointed June 2001)  
Mr. S Matthew  
Mr. D G Morgan OBE (Chairman until 31 March 2001)  
Mrs. D Morgan (Resigned September 2001)  
Ms. A Morrison (Resigned May 2001)  
Mrs. J Orskov  
Mr. A Schmitz  
Cllr. J Wyness (resigned 1 September 2000)

#### Committees of the Board of Management

The Board of Management has formally constituted several committees with terms of reference. These committees act with delegated authority. Information on the Board's Committees is given below, together with details of membership of key committees during the year to 31 July 2001.

##### Key Committees:

- Audit Committee  
Members – Mrs. Allon, Cllr. A Cameron, Mrs. M Donald, Mr. Hannan, Mr. Matthew, Mrs. Orskov.
- Course Provision and Student Services Committee  
Members – Mr. J Graham, Mr. P Hannan, Mr. J MacDonell, Mr. D G Morgan OBE, Mrs. D Morgan, Ms. A Morrison, Mrs. J Orskov, Mr. A Schmitz, Cllr. J Wyness, Mrs M Donald.
- Finance and General Purposes Committee  
Members – Mr. J Graham, Mr. W Lawson, Mr. J MacDonell, Mr. D G Morgan OBE, Mrs. D Morgan, Ms. A Morrison, Mr. A Schmitz, Mr. G Watt.
- Human Resources Committee  
Members – Mrs. M Donald, Mr. J Graham, Mr. W Lawson, Mr. J MacDonell, Mr. S Matthew, Mr. D G Morgan OBE, Mrs. D Morgan, Ms. A Morrison, Mr. A Schmitz, Mr. G Watt, Cllr. J Wyness.
- Remuneration Committee  
Members – Mr. J Graham, Mr. W Lawson, Mr. D G Morgan OBE, Mrs. J Orskov, Mr. A Schmitz, Mr. G Watt.
- Membership Committee  
Members – Mr. G Watt, Mr. R Angus, Mrs. C Allon, Cllr. A Cameron, Mrs. M Donald, Mr. J Graham, Mr. P Hannan, Mr. W Lawson, Mr. D G Morgan OBE, Mrs. J Orskov, Mr. A Schmitz, Cllr. J Wyness.

##### Other Committees

- Accommodation Committee
  - Contracts Committee
  - Premature Retirement Committee
  - Clinterty Committee
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**EMPLOYMENT OF PEOPLE WITH DISABILITIES**

The College's policy with regard to the employment of people with disabilities is as follows:

- To interview all applicants with a disability who meet the minimum criteria for a job vacancy and consider them on their abilities
  - To make every effort when employees become disabled to make sure they stay in employment (through rehabilitation, training or redeployment)
  - To give equal opportunities training, for career development and promotion
  - To make reasonable adjustments by modifying equipment and making available special employment aids and assistive technology where appropriate
  - To adapt premises where practicable
  - To take action to ensure that all employees develop the appropriate level of disability awareness needed to provide support
  - To co-operate closely with the Employment Services Disability Team
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## Corporate Governance Statement

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The Board of Management is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Management is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks and that this process has been in place during the reporting period. This process is regularly reviewed by the Board of Management and accords with the internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group.

The Board of Management meets six times a year and has formally constituted several committees with terms of reference. These committees include:

- Finance and General Purposes Committee
- Audit Committee
- Membership Committee
- Remuneration Committee

All committees comprise mainly lay members of the Governing Body, one of whom is the Chair.

The Finance and General Purposes Committee *inter alia* determines the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Membership Committee provides advice to the Board on the selection of new Members.

The Remuneration Committee provides advice to the Board on the service arrangements (including remuneration) of the Principal and Chief Executive and determines the service arrangements (including remuneration) of Vice Principals of the College.

The Audit Committee meets six times a year, with either external or internal auditors normally in attendance. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the College's business and monitors adherence to the regulatory requirements. Whilst senior staff attend meetings of the Audit Committee as necessary, they are not members of the Committee.

The Committees established by the Board of Management receive reports setting out information on key performance and risk indicators and consider possible control issues brought to their attention by established reporting arrangements. The Audit Committee receive regular reports from the internal audit service provider. The Audit Committee's role is confined to a high level review of the arrangements for internal control. The emphasis in these reports is on obtaining the relevant degree of assurance and not merely reporting by exception.

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**Statement of the Responsibilities of the Board of Management**

In accordance with the provisions of the Further and Higher Education (Scotland) Act 1992 (the Act) the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of financial control, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Act, the Statement of Recommended Practice on 'Accounting in Further and Higher Education Institutions' and other relevant accounting standards. In addition, within the terms of the Financial Memorandum between the Scottish Further Education Funding Council and the Board of Management, the Board is required to prepare financial statements for each reporting period that give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

In causing the financial statements to be prepared, the Board of Management has ensured 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 College will continue in operation. The Board 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 Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Further Education Funding Council are used only for the purposes that they have been given and in accordance with the Financial Memorandum with the SFEFC and any other conditions that the SFEFC 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 College and prevent and detect fraud;
- secure the economical, efficient, and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, that is designed to discharge the responsibilities set out above, include the following:

- clear definitions of responsibilities of, and the authority delegated to, College managers;
- a comprehensive planning process supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and monthly 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 review according to approval levels set by the Board of Management;
- comprehensive Financial Regulations, detailing financial controls and procedures approved by the Finance and General Purposes Committee;
- a professional internal audit service whose annual programme is established by the Audit Committee and endorsed by the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

## **Independent Auditors' Report to the Auditor General and the Board of Management of Aberdeen College**

We have audited the financial statements, which comprise the income and expenditure account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement and the related notes, which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies as set out in the statement of accounting policies.

### **Respective responsibilities of the Board of Management and Auditors**

The members of the Board of Management are responsible for preparing the annual report. As described on page 6, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our own profession's ethical guidance.

We report to you our opinion as to whether the financial statements, give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial memorandum with the Scottish Further Education Funding Council (SFEFC).

We also report to you if, in our opinion, the report to the Board of Management is not consistent with the financial statements, if the College has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding members' remuneration and transactions is not disclosed.

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

The maintenance and integrity of the College website is the responsibility of the College's Board of Management; 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.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. 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 Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College'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.

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**Report of the Auditors to the Auditor General and the Board of Management of Aberdeen College.****Opinion**

In our opinion, the financial statements give a true and fair view of the state of the College's affairs at 31 July 2001 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education.

In our opinion in all material respects:

- Income from the Scottish Further Education Funding Council grants and income for specific purposes and from other restricted funds administered by the College has been applied for the purposes for which they received.
- Income has been applied in accordance with the College statutes and where appropriate, with the Financial Memorandum, dated 1 August 2000, with the Scottish Further Education Funding Council.

PricewaterhouseCoopers

**PricewaterhouseCoopers**  
*Chartered Accountants and Registered Auditors*  
Glasgow

**11 December 2001**

**Consolidated income and expenditure account  
For the year ended 31 July 2001**

	<i>Notes</i>	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
<b>INCOME</b>			
SFEFC grants	2	18,119	20,671
Tuition fees and education contracts	3	7,420	9,708
Other grants and contracts	4	-	21
Other income	5	807	1,271
Investment income	6	214	240
<b>Total income</b>		<b>26,560</b>	<b>31,911</b>
<b>EXPENDITURE</b>			
Staff costs	7	17,472	20,660
Exceptional restructuring costs	7	832	230
Other operating expenses	9	7,487	8,831
Depreciation	9	2,654	3,833
Interest payable	10	122	240
<b>Total expenditure</b>		<b>28,567</b>	<b>33,794</b>
Deficit on continuing operations after depreciation of fixed assets at valuation and before tax		(2,007)	(1,883)
Gain on disposal of assets	13	-	700
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		(2,007)	(1,183)
Taxation	11	-	4
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	12	(2,007)	(1,179)

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

In accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, bursary and access funds have been excluded from the income and expenditure account.

**Consolidated statement of historical cost surpluses and deficits  
For the year ended 31 July 2001**

	<i>Notes</i>	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
Deficit on continuing operations Before taxation		(2,007)	(1,183)
Difference between historical cost Depreciation and the actual charge for the Period calculated on the re-valued amount	20	1324	1,692
Realisation of property revaluation gains of previous years	20	-	2,150
Historical cost (deficit)/surplus for the period		(683)	2,659

**Statement of total recognised gains and losses  
For the year ended 31 July 2001**

	<i>Notes</i>	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	20	(2,007)	(1,179)
Other Losses	20	(5)	-
Reversal of reduction in value in previous years as a result of partial VAT recovery on Fixed Assets.	20	172	-
Unrealised deficit on revaluation of fixed assets	20	-	(1,457)
Unrealised surplus on gift of asset	20	-	800
Restricted Reserves	20	-	(12)
Total recognised losses relating to the period		(1,840)	(1,848)

**Reconciliation**

Opening reserves	23,924	25,772
Total recognised losses for the period	(1,840)	(1,848)
Closing reserves	22,084	23,924

**Balance sheets as at 31 July 2001**

	Notes	Group 31 July 2001 £000	Group 31 July 2000 £000	College 31 July 2001 £000	College 31 July 2000 £000
<b>Fixed Assets</b>					
Tangible assets	13	32,635	31,482	32,061	30,780
Investments	14	-	-	10	-
		<u>32,635</u>	<u>31,482</u>	<u>32,071</u>	<u>30,780</u>
<b>Current Assets</b>					
Stock		103	108	103	108
Debtors	15	1,398	1,322	1,382	1,135
Cash at bank and in hand		1,781	2,712	1,654	2,600
		<u>3,282</u>	<u>4,142</u>	<u>3,139</u>	<u>3,843</u>
<b>Creditors: amounts falling due within one year</b>	16	4,383	3,847	3,742	3,251
<b>Net current (liabilities)/assets</b>		<u>(1,101)</u>	<u>295</u>	<u>(603)</u>	<u>592</u>
<b>Total assets less current Liabilities</b>		<u>31,534</u>	<u>31,777</u>	<u>31,468</u>	<u>31,372</u>
<b>Creditors: amounts falling due after more than one year</b>	17	7,138	6,807	7,094	6,647
<b>NET ASSETS</b>		<u>24,396</u>	<u>24,970</u>	<u>24,374</u>	<u>24,725</u>
<b>Deferred capital grants</b>	19	2,312	1,046	2,312	1,046
<b>Reserves</b>					
Revaluation reserve	20	19,954	20,961	19,954	20,961
Capital asset reserve	20	488	633	208	333
Restricted reserve	20	33	33	33	33
Designated reserve	20	4,544	5,197	4,549	5,197
Income and expenditure account	20	(2,935)	(2,900)	(2,682)	(2,845)
Total reserves		<u>22,084</u>	<u>23,924</u>	<u>22,062</u>	<u>23,679</u>
<b>TOTAL</b>		<u>24,396</u>	<u>24,970</u>	<u>24,374</u>	<u>24,725</u>

The financial statements on pages 9 to 30 were approved by the Board of Management on 10<sup>th</sup> December 2001 and signed on its behalf by:

Mr. G Watt  
Chairman

Mr. R Angus  
Principal and Chief Executive

**Consolidated cash flow statement  
For the year ended 31 July 2001**

	<i>Notes</i>	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
Cash flow from operating activities	21	1,281	722
Returns on investments and servicing of finance	22	80	29
Taxation		-	(6)
Capital expenditure and financial investment	22	(1,981)	640
Management of liquid resources	22	1,523	(2,185)
Financing	22	(311)	2,352
Increase in cash in the period	23	592	1,552

**Reconciliation of net cash flow to movement in net funds/debt**

Increase in cash in the period	23	592	1,552
(Decrease)/Increase in liquid resources	23	(1,523)	2,185
Inflow/(Outflow) from increase in debt and lease financing	23	312	(2,364)
New finance leases	23	(158)	(185)
Movement in net funds in period		(777)	1,188
Net debt at beginning of period		(134)	(1,322)
Net debt at end of period	23	(911)	(134)

**Statement of Accounting Policies****Basis of Preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP): 'Accounting in Further and Higher Education' and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Further Education Funding Council.

**Basis of Accounting**

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

**Basis of Consolidation**

The consolidated financial statements include the College and its subsidiary undertakings, Aberdeen Skills and Enterprise Training Limited and Clinterty Estates Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the Aberdeen College Students' Association have not been consolidated because the College does not control those activities.

**Recognition of Income**

Income from 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 relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in that it is earned.

Income from specific endowments or donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Recurrent grant from the Scottish Further Education Funding Council is recognised in the period in which it is receivable. Non recurrent grants from the Scottish Further Education 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 assets.

**Maintenance of Premises**

The cost of maintenance is charged to the income and expenditure account in the period in that it is incurred.

**Foreign Currency Translation**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in that they arise.

**Pension Schemes**

Retirement benefits to employees of the College are provided by the Teachers' Superannuation Scheme (Scotland) (STSS) and the Local Government Superannuation Scheme (LGSS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. Variations from regular costs are spread over the remaining working lifetime of members of the schemes after making allowances for further withdrawals. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

## Tangible Fixed Assets

### (a) Land and buildings

Land and buildings inherited from the local authority are stated in the balance sheet at a valuation. Properties regarded by the College as operational have been valued on the basis of open market value for existing use or, where there is no market evidence, have been valued on the depreciated replacement cost basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Land associated with the buildings and undeveloped land is not depreciated. Buildings are depreciated over their expected useful economic life to the College of 20 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance Costs that are directly attributable to the construction of land and buildings are not 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 a fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architect's certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

### (b) Equipment

Equipment costing less than £10,000 is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local authority is included in the balance sheet at cost.

Equipment is depreciated on a straight-line basis over its remaining useful economic life to the College as follows:

<i>Category</i>	<i>Useful Life</i>
Motor vehicles and general equipment	4 or 5 years
Computer equipment	3 years

Where equipment is acquired, with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

### Capital Asset Reserve

The College received simulators and associated equipment by way of gift from Shell Oil UK Limited. These donated assets have been recorded in a Capital Asset Reserve that will be released over the useful economic life of the equipment. Aberdeen Skills and Enterprise Training Limited (a wholly owned subsidiary company of the Board of Management) received a simulator by way of gift from Marathon Oil UK Limited. This equipment has been recorded in a Capital Asset Reserve that will be released over its useful economic life.

### Designated Reserve

The reserve was established to hold the disposal proceeds of properties sold as part of the Board's Accommodation Strategy. These proceeds are used to fund, in part, building works associated with the Strategy. Funds are released from the reserve to match associated costs on works undertaken as part of the Board's accommodation strategy.

**Leased Assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements that transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets that are held under hire purchase contracts that have the characteristics of finance leases are depreciated over their useful lives.

**Investments**

Fixed asset investments are carried at historical cost less any provision for a permanent impairment in their value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

**Stocks**

Stocks consist of livestock and other agricultural items and are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

**Taxation**

As a registered charity the College benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interest and rents. Where appropriate, provision is made for taxation that may arise from the commercial activities of the Board of Management.

The charge for taxation is based on net earnings derived from commercial activities for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

The College is exempted from levying VAT on most of the services it provides. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased.

**Deferred Taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting purposes that are expected to reverse in the future calculated at the rates at which it is expected that tax will arise.

**Liquid Resources**

Liquid resources include sums on short-term deposits with recognised banks.

**Provisions**

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## 2. SFEFC GRANTS

	Year Ended 31 July 2001 £000	16 Months Ended 31 July 2000 £000
Recurrent grant	17,342	20,447
Release of deferred capital grants (SFEFC/former SOEID)	443	221
Other grants	334	3
	18,119	20,671

## 3. TUITION FEES AND EDUCATION CONTRACTS

	Year Ended 31 July 2001 £000	16 Months Ended 31 July 2000 £000
Higher Education - Home and European Union	2,735	3,346
Further Education - Home and European Union	1,883	4,217
Non-European Union Students Non SFEFC/former SOEID funding	63	95
Total fees paid by or on behalf of individual students	4,681	7,658
Education contracts:		
Joint course income	42	19
Prison and nursing education	84	116
Other non-SFEFC/former SOEID funded tuition	2,613	1,915
	2,739	2,050
Total	7,420	9,708

## 4. OTHER GRANTS AND CONTRACTS

	Year Ended 31 July 2001 £000	16 Months Ended 31 July 2000 £000
Other Funds	-	21
	-	21

## 5. OTHER INCOME

	Year Ended 31 July 2001 £000	16 Months Ended 31 July 2000 £000
European Union funds	67	114
Residences and catering	132	154
Farming activities	240	269
Release from deferred capital grants – non-SFEFC/former SOEID	-	28
Other Income	368	706
	807	1,271

6. INVESTMENT INCOME	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
Interest receivable	214	240

**7 STAFF COSTS**
**Staff Numbers**

The average number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents, was:

	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
Teaching Staff	354	336
Administrative and support staff	269	261
	623	597

Staff costs for the above persons:

	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
Wages and salaries	15,614	18,513
Social security costs	897	1,135
Other pension costs	961	1,012
	17,472	20,660

Teaching Staff	11,351	13,298
Administrative and support staff	6,121	7,362
	17,472	20,660

Provision for future pension costs	803	229
Restructuring costs	29	1
	832	230

Higher paid members of staff:

The number of staff, including the Principal, who received emoluments including benefits in kind and excluding pension contributions in the following ranges was:

	<b>Year Ended 31 July 2001</b>		<b>16 Months Ended 31 July 2000</b>	
	<b>Number Senior post-holders</b>	<b>Number Other Staff</b>	<b>Number Senior post-holders</b>	<b>Number Other Staff</b>
£40,000 to £45,000	-	14	-	10
£45,001 to £50,000	-	3	-	6
£50,001 to £55,000	-	1	-	15
£55,001 to £60,000	-	-	-	2
£60,001 to £65,000	2	-	-	1
£75,001 to £80,000	-	-	1	-
£80,001 to £85,000	-	-	-	-
£85,001 to £90,000	-	-	1	-
£90,000 to £95,000	1	-	-	-
£115,001 to £120,000	-	-	1	-

**8. BOARD MEMBERS AND SENIOR POST-HOLDER'S EMOLUMENTS**

	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
The number of senior post-holders including the Principal was:	3	3
	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
Senior post-holder's emoluments are made up as follows:		
Salaries	218	287
Benefits in kind	-	-
Pension contributions	22	28
	<u>240</u>	<u>315</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of: £95,093 salaries and £6,561 pension contributions for the year to 31 July 2001 (£119,866 and £8,271 for the 16 months to 31 July 2000). The Principal is an ordinary member of the Teachers' Superannuation Scheme (Scotland). Other senior post holders are members of the Local Government Superannuation Scheme. The College's contributions to the scheme are paid at the same rate as for other members of staff.

**Board of Management:**

The total remuneration of the Board of Management including pension contributions, benefits in kind and bonuses but excluding the salaries of employee Board members for normal staff duties amounted to:

	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
Fees for services as non-executive directors of subsidiary companies	8	14
Expenses paid to Board members	3	6
	<u>11</u>	<u>20</u>

Amounts potentially payable for fees for services are £7,900 for the year to 31<sup>st</sup> July 2001 (nil for the 16 months to 31 July 2000). Payment of these amounts is dependent on guidance awaited from the Scottish Executive Enterprise & Lifelong Learning Department.

**9. ANALYSIS OF EXPENDITURE**

	<b>Staff Costs £000</b>	<b>Other Operating Expenses £000</b>	<b>Depreciation £000</b>	<b>Interest Payable £000</b>	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
Teaching activities	14,498	2,316	656	-	17,470	20,738
Residences and catering	22	63	8	-	93	109
Farm	71	194	1	-	266	291
Premises	273	1,937	1,329	-	3,539	4,914
Administration	3,307	1,600	460	116	5,483	6,164
Other expenses	133	1,377	200	6	1,716	1,578
	<u>18,304</u>	<u>7,487</u>	<u>2,654</u>	<u>122</u>	<u>28,567</u>	<u>33,794</u>

**9. ANALYSIS OF EXPENDITURE**  
 (Cont'd)

	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
Other operating expenses include:		
Auditors' Remuneration (including irrecoverable VAT)		
- external audit services*	19	14
- internal audit services **	12	15
- external audit other services	31	18
Hire of plant, machinery – operating leases	216	314
Hire of other assets – operating leases	63	74

\* includes £15,666 in respect of the College (1999/00 £10,250)

\*\* includes £11,762 in respect of the College (1999/00 £14,516)

**10. INTEREST PAYABLE**

	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	16	222
Repayable within 5 years, by instalments	91	2
	<hr/> 107	<hr/> 224
On finance leases	15	16
	<hr/> 122	<hr/> 240

**11. TAXATION**

	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
UK Corporation Tax	-	(1)
Deferred Tax (credit)	-	(3)
	<hr/> -	<hr/> (4)

**12. DEFICIT ON CONTINUING OPERATIONS FOR THE PERIOD**  
 The deficit on continuing operations for the period is made up as follows:

	<b>Year Ended 31 July 2001 £000</b>	<b>16 Months Ended 31 July 2000 £000</b>
College's deficit for the period	(1,936)	(1,120)
Deficit generated by the subsidiary undertaking after accounting for gift aid of £402,073 transferred to the College (£522,404 for the 16 months to 31 July 2000).	(71)	(59)
	<hr/> (2,007)	<hr/> (1,179)

**13. TANGIBLE FIXED ASSETS**  
**Group**

	<b>Land and Buildings Feuhold £000</b>	<b>Equipment £000</b>	<b>Computers £000</b>	<b>Vehicles £000</b>	<b>Total £000</b>
Cost or valuation at 01 August 2000	29,489	2,418	3,376	107	35,390
Additions	2,438	234	1,288	-	3,960
Disposals	(34)	-	(95)	(23)	(152)
<b>At 31 July 2001</b>	<b>31,893</b>	<b>2,652</b>	<b>4,569</b>	<b>84</b>	<b>39,198</b>
Depreciation at 01 August 2000	7	1,252	2,544	107	3,910
Charge for period	1,303	388	985	-	2,676
Depreciation on revalued assets	-	-	-	(23)	(23)
<b>At 31 July 2001</b>	<b>1,310</b>	<b>1,640</b>	<b>3,529</b>	<b>84</b>	<b>6,563</b>
<b>Net book value At 31 July 2001</b>	<b>30,583</b>	<b>1,012</b>	<b>1,040</b>	<b>-</b>	<b>32,635</b>
<b>Net book value At 31 July 2000</b>	<b>29,483</b>	<b>1,166</b>	<b>833</b>	<b>-</b>	<b>31,482</b>
Inherited	28,242	-	-	-	28,242
Financed by capital grant	1,042	-	208	-	1,250
Other	1,299	1,012	832	-	3,143
<b>Net book value At 31 July 2001</b>	<b>30,583</b>	<b>1,012</b>	<b>1,040</b>	<b>-</b>	<b>32,635</b>
<b>College</b>	<b>Land and Buildings Feuhold £000</b>	<b>Equipment £000</b>	<b>Computers £000</b>	<b>Vehicles £000</b>	<b>Total £000</b>
Cost or valuation at 01 August 2000	29,483	1,252	3,358	107	34,200
Additions	2,438	216	1,287	-	3,941
Disposals	(34)	-	(95)	(23)	(152)
<b>At 31 July 2001</b>	<b>31,887</b>	<b>1,468</b>	<b>4,550</b>	<b>84</b>	<b>37,989</b>
Depreciation at 01 August 2000	1	776	2,535	107	3,419
Charge for period	1,303	248	981	-	2,532
Depreciation on revalued assets	-	-	-	(23)	(23)
<b>At 31 July 2001</b>	<b>1,304</b>	<b>1,024</b>	<b>3,516</b>	<b>84</b>	<b>5,928</b>
<b>Net book value At 31 July 2001</b>	<b>30,583</b>	<b>444</b>	<b>1,034</b>	<b>-</b>	<b>32,061</b>
<b>Net book value At 31 July 2000</b>	<b>29,483</b>	<b>478</b>	<b>819</b>	<b>-</b>	<b>30,780</b>
Inherited	28,242	-	-	-	28,242
Financed by capital grant	1,042	-	208	-	1,250
Other	1,299	444	826	-	2,569
<b>Net book value At 31 July 2001</b>	<b>30,583</b>	<b>444</b>	<b>1,034</b>	<b>-</b>	<b>32,061</b>

The opening cost and aggregate depreciation amounts for land and buildings have been restated following the revaluation at 31 July 2000. The opening net book value of land and buildings remains unchanged.

**13. TANGIBLE FIXED ASSETS**  
 (Cont'd)

Inherited land and buildings were valued for the purposes of the financial statements by Chesterton International Property Consultants. The basis of valuation used was open market value at 31 July 2000 for existing use or depreciated replacement cost depending on the type of asset being valued.

Land and buildings with a net book value of £28,241,500 at 31 July 2001 were inherited from the local authority upon incorporation on 1 April 1993. These assets may not be disposed of without the prior approval of the SFEFC. The College is obliged to use the sales proceeds in accordance with the instructions of the SFEFC.

If inherited land & buildings had not been valued they would have been included at the following amounts:

	<b>£000</b>
Cost	12,488
Aggregate Depreciation based on cost	2,193
Net book value based on cost	<u>10,295</u>

The net book value of tangible fixed assets includes an amount of £160,532 in respect of assets held under finance leases, (*College* £146,199).

Included within land and buildings are non-depreciable assets of £5,982,000.

The depreciation charge for the period is analysed as follows:

	<b>Year Ended 31 July 2001 £000</b>	<b>Period Ended 31 July 2000 £000</b>
Depreciation based on cost	1,352	2,141
Depreciation based on valuation	1,324	1,692
	<u>2,676</u>	<u>3,833</u>
Owned Assets	2,519	3,656
Assets held under finance leases and hire Purchase arrangements	157	177
	<u>2,676</u>	<u>3,833</u>

**14. INVESTMENTS**

	<b>College Year Ended 31 July 2001 £000</b>	<b>College Period Ended 31 July 2000 £000</b>
Subsidiary Company	10	-
Total	<u>10</u>	<u>-</u>

The College's teaching farms transact with a number of agricultural co-operatives. These organisations award shares based on the level of trading activity undertaken. The value of these shares is not considered material and is included in the accounts at nil value.

**INVESTMENTS**

(Cont'd)

The Board of Management owns 100 per cent of the issued ordinary £1 shares of Aberdeen Skills and Enterprise Training Limited, a company incorporated in Great Britain and registered in Scotland. The principal business activity of Aberdeen Skills and Enterprise Training Limited is the provision of quality education and training.

The Board of Management owns 100 per cent of the issued ordinary £1 shares of Clinterty Estates Limited, a company incorporated in Great Britain and registered in Scotland. The principal business activity of Clinterty Estates Limited is the management of the College's teaching farms. The company ceased to trade on 30 April 1998. The company's Directors decided upon this course of action in the light of adverse trading conditions facing the agricultural sector.

**15. DEBTORS**

	<b>Group</b>		<b>College</b>	
	<b>31 July 2001</b>	<b>31 July 2000</b>	<b>31 July 2001</b>	<b>31 July 2000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts falling due within one year				
Trade debtors	1,000	1,018	349	566
Prepayments and accrued income	294	274	292	254
Other taxation	104	30	104	-
Amounts owned by subsidiary undertakings	-	-	637	315
	<b>1,398</b>	<b>1,322</b>	<b>1,382</b>	<b>1,135</b>

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>College</b>	
	<b>31 July 2001</b>	<b>31 July 2000</b>	<b>31 July 2001</b>	<b>31 July 2000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans	175	175	131	131
Obligations under finance leases	127	106	114	76
Trade creditors	586	898	554	820
Other taxation and social security	543	417	437	416
Accruals and deferred income	2,952	2,251	2,506	1,808
	<b>4,383</b>	<b>3,847</b>	<b>3,742</b>	<b>3,251</b>

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>College</b>	
	<b>31 July 2001</b>	<b>31 July 2000</b>	<b>31 July 2001</b>	<b>31 July 2000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans	2,300	2,453	2,256	2,365
Obligations under finance leases	91	112	91	100
Future pension costs arising from early retirement and the equalisation of pension contributions under the Local Government Superannuation Scheme	4,153	3,994	4,153	3,994
Excess of cost over payment to pension funds	594	163	594	163
Accruals	-	85	-	25
	<b>7,138</b>	<b>6,807</b>	<b>7,094</b>	<b>6,647</b>

**18. BORROWINGS**

	<b>Group</b>		<b>College</b>	
	<b>31 July 2001</b>	<b>31 July 2000</b>	<b>31 July 2001</b>	<b>31 July 2000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
(a) Loans				
Loans are repayable as follows:				
In one year or less	175	175	131	131
Between one and two years	175	175	131	131
Between two and five years	394	438	394	394
Five years or more	1731	1,840	1,731	1,840
	<b>2,475</b>	<b>2,628</b>	<b>2,387</b>	<b>2,496</b>

Loans comprise:

- a) a bank loan of £2,496,831 at 0.95% over Bank of Scotland base rate, repayable monthly over 19 years commencing August 2000.  
 The Board of Management with the approval of the former Scottish Office, has granted the Bank of Scotland a standard security over the Gordon Barracks and Balgownie Centre, for the amount of the bank loan.
- b) a deferred payment to Kongsberg for the supply of a simulator at a cost of £176,000 (with no financing charge), the balance of which, £88,000, is repayable in two equal annual instalments in December 2001 and 2002.

**(b) Finance Leases**

	<b>Group</b>		<b>College</b>	
	<b>31 July 2001</b>	<b>31 July 2000</b>	<b>31 July 2001</b>	<b>31 July 2000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
The net finance lease obligations to which the Group and College are committed are:				
In the next year	127	106	114	76
In the second to fifth years inclusive	91	112	91	100
	<b>218</b>	<b>218</b>	<b>205</b>	<b>176</b>

**19. DEFERRED CAPITAL GRANTS**

<b>Group and College</b>	<b>SFEFC</b>
	<b>£000</b>
At 1 August 2000	
Land and buildings	896
Equipment	150
	1,046
Cash received	
Land and buildings	1,098
Equipment	478
Released to income and expenditure	
Land and buildings	(115)
Equipment	(195)
	1,879
<b>At 31 July 2001</b>	
Land and buildings	1,879
Equipment	433
	<b>2,312</b>

**20. RESERVES  
Group**

	<b>Revaluation Reserve £000</b>	<b>Capital Asset Reserve £000</b>	<b>Restricted Reserve £000</b>	<b>Designated Reserve £000</b>	<b>Income &amp; Expenditure Account £000</b>	<b>Total £000</b>
At 1 August 2000	20,961	633	33	5,197	(2,900)	23,924
Deficit on continuing operations after Depreciation of assets At valuation and taxation					(2,007)	(2,007)
Other Losses				(5)		(5)
Transfer from Revaluation & Capital Asset reserves to Income & Expenditure Account	(1,179)	(145)			1,324	-
Transfer from Designated Reserve to Income and Expenditure account				(648)	648	-
Reversal of reduction in value in previous years as a result of partial VAT recovery on Fixed Assets	172					172
<b>At 31 July 2001</b>	<b>19,954</b>	<b>488</b>	<b>33</b>	<b>4,544</b>	<b>(2,935)</b>	<b>22,084</b>

<b>College</b>	<b>Revaluation Reserve £000</b>	<b>Capital Asset Reserve £000</b>	<b>Restricted Reserve £000</b>	<b>Designated Reserve £000</b>	<b>Income &amp; Expenditure Account £000</b>	<b>Total £000</b>
At 1 August 2000	20,961	333	33	5,197	(2,845)	23,679
Prior year adjustment					147	147
Deficit on continuing operations of assets after depreciation at valuation and taxation					(1,936)	(1,936)
Transfer from Revaluation & Capital Asset Reserves to Income & Expenditure Account	(1,179)	(125)			1,304	-
Transfer from Designated Reserve to Income and Expenditure account				(648)	648	-
Reversal of reduction in value in previous years as a result of partial VAT recovery on Fixed Assets	172					172
<b>At 31 July 2001</b>	<b>19,954</b>	<b>208</b>	<b>33</b>	<b>4,549</b>	<b>(2,682)</b>	<b>22,062</b>

The prior year adjustment relates solely to the Income and Expenditure balance of Aberdeen College and not to the consolidated group. The adjustment is due to the reinstatement of an inter-company balance within Clinterty Estates Ltd.

21. RECONCILIATION OF OPERATING DEFICIT TO NET CASH  
INFLOW FROM OPERATING ACTIVITIES

	31 July 2001 £000	31 July 2000 £000
Deficit on continuing operations after depreciation of assets at valuation and before tax	(2,007)	(1,183)
Depreciation	2,653	3,833
Deferred capital grants released to income	(310)	(249)
Gain on sale of asset	-	(700)
Interest payable	122	240
Interest receivable	(214)	(240)
Decrease/(Increase) in stocks	5	(18)
(Increase)/Decrease in debtors	(64)	532
Increase/(Decrease) in creditors	937	(1,531)
Increase in provisions	159	38
Net cash inflow from operating activities	1,281	722

 22. ANALYSIS OF GROSS CASH FLOWS FOR HEADINGS NETTED  
IN CASH FLOW STATEMENT

	31 July 2001 £000	31 July 2000 £000
<b>Returns on investment and servicing of finance</b>		
Interest received	202	269
Interest paid	(107)	(224)
Interest element of finance lease payments	(15)	(16)
Net cash inflow from returns on investment and servicing of finance	80	29
<b>Capital Expenditure</b>		
Payments to acquire tangible fixed assets	(3,557)	(2,755)
Receipts from sale of tangible fixed assets	-	2,850
Receipts from SFEFC re capital grants	1,576	545
Net cash (outflow)/inflow from capital expenditure	(1,981)	640
<b>Management of liquid resources</b>		
Withdrawals from short-term deposits	1,523	9,084
Payments into short-term deposits	-	(11,269)
Net cash inflow/(outflow) from management of liquid resources	1,523	(2,185)
<b>Financing</b>		
Movement in debt due within a year	-	143
Movement in debt due beyond a year	(153)	2,321
Prize fund donations	-	(12)
Capital element of finance lease rental payments	(158)	(100)
Net (outflow)/inflow from financing	(311)	2,352

**23. CHANGES IN NET FUNDS**

	<b>At 31 July 2000 £000</b>	<b>Cash Flows £000</b>	<b>Other Non- Cash Changes £000</b>	<b>At 31 July 2001 £000</b>
Cash in hand and at bank	527	592	-	1,119
Overdrafts	-	-	-	-
	<hr/> 527	<hr/> 592	<hr/> -	<hr/> 1,119
Liquid resources	2,185	(1,523)	-	662
Debt due within one year	(175)	154	(154)	(175)
Debt due after one year	(2,453)	-	154	(2,299)
Finance leases	(218)	158	(158)	(218)
Total	<hr/> (134)	<hr/> (619)	<hr/> (158)	<hr/> (911)

**24. CAPITAL COMMITMENTS**

	<b>Group</b>		<b>College</b>	
	<b>31 July 2001 £000</b>	<b>31 July 2000 £000</b>	<b>31 July 2001 £000</b>	<b>31 July 2000 £000</b>
Commitments contracted for at year end	348	1,171	348	1,171

**25. FINANCIAL COMMITMENTS**

	<b>Group</b>		<b>College</b>	
	<b>31 July 2001 £000</b>	<b>31 July 2000 £000</b>	<b>31 July 2001 £000</b>	<b>31 July 2000 £000</b>
At the period end the Group and the College had annual commitments under non-cancellable operating leases as follows:				
Land & Buildings	-	-	-	-
<u>Other</u>				
Expiring within one year	52	2	52	2
Expiring between two and five years inclusive	229	245	229	245
	<hr/> 281	<hr/> 247	<hr/> 281	<hr/> 247

**26. LOSSES AND SPECIAL PAYMENTS**

During the period the College wrote off bad debts totalling £150,294 (2000: £8,000) under its delegated authority from SFEFC in respect of losses and special payments

**27. ACCESS FUNDS**

	<b>31 July 2001 £000</b>	<b>31 July 2000 £000</b>
Funding Council grants	495	480
Interest earned	12	9
	<hr/> 507	<hr/> 489
Disbursed to Students	(492)	(518)
	<hr/> 15	<hr/> (29)
Balance prior year brought forward	29	58
Balance unspent	<hr/> 44	<hr/> 29

**28. PENSION AND SIMILAR OBLIGATIONS**
**Scottish Teacher's Pension Scheme**

The College participates in the Scottish Teacher's Pension Scheme, a defined benefit scheme, which is externally funded and contracted out of State Earnings-Related Pension Scheme. The assets of the scheme are in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 1996. The assumptions, which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation interest rate) and the rates of increase in salary and pension. In relation to the past liabilities the financial assumptions were derived from market yield rates prevailing at the valuation date. It was assumed that the valuation rate of interest would be 8.5% per annum, salary increases would be 6.5% per annum and pensions would increase by 5% per annum.

At the valuation date, the actuarial value of the assets of the scheme was £4,370 million and the value liabilities was £7,120 million leaving a balance of liability (excluding the value of the pension increases) of £230 million. A supplementary contribution by employers at the rate of 0.75% a year from 1 April 2002 would meet the balance of liability as at 31 March 1996 by the expiry of the period of 40 years commencing on 1 April 2002. The total contributions payable from 1 April 2002 would then be 13.15% which, compared with the current rate of 12.9%, represents an increase of 0.25%.

Surpluses or deficits, which arise at future valuations may impact on the institution's future contribution commitment. The next formal valuation is due at March 2001 when the above rates will be reviewed.

The total STPS pension cost for the College was £400,000 (1999/2000 £505,000). This includes £32,000 (1999/2000 £32,000) outstanding contributions at the balance sheet date. The contributions rate payable by the college was 6.9% of pensionable salaries.

**Aberdeen City Council Pension Fund**

The College participates in the Aberdeen City Council Pension Fund, a defined benefit scheme, which is externally funded and contracted out of State Earnings-Related Pension Scheme. The assets of the scheme are in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 1999. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation interest rate) and the rates of increase in salary and pension. In relation to the past liabilities the financial assumptions were derived from market yield rates prevailing at the valuation date. It was assumed that the valuation rate of interest would be; equities 6.3% per annum; bonds 5.1% per annum, salary increases would be 4.3% per annum and pensions would increase by 2.8% per annum.

At the valuation date, the actuarial value of the assets of the scheme was £1,065 million and the valuation results showed a funding level of 103% and an average required employer contribution of 235% of employers' contributions. A phasing in the increase in the required contribution rate is being applied in the year to 31 March: 2001 – 200%, 2002 – 215% and 2003 – 230%.

Surpluses or deficits, which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due at 31 March 2002 when the above rates will be reviewed.

The total ACCPF cost for the College was £568,000 (1999/2000 £636,000). This includes £48,000 (1999/2000 £44,000) outstanding contributions at the balance sheet date. The contribution rate payable by the College was 12.9% of pensionable salaries.

**29. TRANSACTIONS WITH MEMBERS OF THE BOARD OF MANAGEMENT**

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

Transactions during the year with non-public bodies in which a member of the Board of Management has an interest and which in aggregate exceeded £5,000 are noted below:

<b>Member</b>	<b>Company</b>	<b>Type of Contract</b>	<b>Expenditure 2000/01</b>
Mr A F Schmitz	Blackwell's Bookseller	Purchase of Materials	£8,320
Mr R Angus	Offshore Petroleum Industry Training Organisation	Supply of Training	£145,995
	Engineering Construction Industry Training Board	Supply of Training	£543,973

(Mr A F Schmitz resigned from Blackwell's Bookseller's at the end of September 2000).

The College had transactions during the year or worked in partnership with the following publicly funded or representative bodies in which members of the Board of Management hold or held official positions.

<b>Member</b>	<b>Organisation</b>	<b>Position</b>
Mr R Angus	Aberdeen Safer Communities	Elected Member
Mr J G Graham	Northern College	Chairman
Cllr J Wyness	Aberdeen City Council	Elected Member (Resigned September 2000)
A Cameron	Aberdeenshire Council	Elected Member
Mrs C Allon	Grampian Careers	Chief Executive (Resigned September 2001)

In addition the undernoted individuals were Members of the Board of Management during the year and had no significant transactions with the College: Mr D G Morgan, Mrs M Donald, Mr W Lawson, Mr S Matthew, Mrs D Morgan, Ms A Morrison, Mrs J Orskov, Mr P Hannan, Mr J MacDonell and Mr G Watt.

**30. RELATED PARTY TRANSACTIONS**

The Board of Management of Aberdeen College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by The Scottish Further Education Funding Council (SFEFC).

SFEFC is regarded as a related party. During the year Aberdeen College had various material transactions with SFEFC and with other entities for which SFEFC is regarded as the sponsor department including Students Awards Agency for Scotland, Grampian Enterprise Limited and a number of other colleges and higher education institutions.

In addition Aberdeen College and its subsidiary companies had a small number of transactions with other Government Departments and other central government bodies. The most significant of these transactions was with the Scottish Executive Environment Rural Affairs Department and the former Scottish Office Agricultural, Environment and Fisheries Department.

## 31. PROFESSIONAL ADVISERS

External auditors:	PricewaterhouseCoopers
Internal auditors:	Deloitte & Touche
Bankers:	Clydesdale Bank PLC Bank of Scotland
Solicitors:	Paul and Williamsons Burnside Kemp Fraser James & George Collie Iain Smith and Company