



**FINANCIAL STATEMENTS  
for the Year to 31 July 2002**

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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 2002.

**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 year showed a surplus on continuing operations after depreciation of assets at valuation, disposals of assets and taxation of £409,000 (FY2000-01 - £2,007,000 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 year was £1,452,000 (FY2000-01 - £683,000 deficit).

The accumulated deficit on the Income and Expenditure Account at 31 July 2002 was £1,483,000 (31 July 2001 - £2,935,000 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 2002 was £4,264,000 (31 July 2001 - £4,153,000). In addition, the accounting provision for the excess of cost over payment to pension funds increased in the period to £697,000 (31 July 2001 - £594,000).

The College's cash and liquid resources position at the end of the period was £3,459,000 (31 July 2001 - £1,781,000).

**Physical Developments**

In the reporting period the College spent £1,008,000 improving accommodation. Projects included the completion of work to create a Multi Media Centre of Excellence at a cost of £140,000, refurbishment of the Lecture Theatre at Gallowgate Centre at a cost of £193,000, installation of lifts to improve accessibility at College centres at cost of £268,500, refurbishment of toilet accommodation at a cost of £110,100, and installation of lifts and other access means for clients with disability at a cost of £273,800.

Investment continued in equipment. In the period, the College invested £559,000 in information and communication technologies equipment and a further £257,400 in a broad range of equipment for teaching and support functions.

**Future Development of the College Estate**

In the period, the Board followed 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. Since the year end, the Board has decided to review its estates strategy in the light of the revised funding arrangements for major capital projects introduced by the Scottish Further Education Funding Council.

Work will continue in financial year 2002-03 to complete the replacement of lifts in the Tower Block at Gallowgate Centre at a budgeted cost of £384,500. Planned maintenance programmes will be progressed at a budgeted cost of £450,000.

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 33 days in the year to 31 July 2002 (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  
 Mr. R Angus  
 Mrs. C Allon (Resigned September 2001)  
 Cllr. A Cameron  
 Mrs. M Donald  
 Mr. M Dunsmuir (Appointed October 2001)  
 Mr. J Graham  
 Mr. P Hannan  
 Mr. W Lawson  
 Mr. J MacDonell (Resigned July 2002)  
 Mr. S Matthew  
 Mr. D G Morgan OBE  
 Mrs. D Morgan (Resigned September 2001)  
 Mrs. J Orskov  
 Rev. A Schmitz

### 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 2002.

#### 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. M Dunsmuir, Mr. J Graham, Mr. P Hannan, Mr. J MacDonell, Mr. D G Morgan OBE, Mrs. D Morgan, Mrs. J Orskov, Rev. A Schmitz, Mrs M Donald.
- Finance and General Purposes Committee  
 Members – Mr. M Dunsmuir, Mr. J Graham, Mr. W Lawson, Mr. J MacDonell, Mr. D G Morgan OBE, Mrs. D Morgan, Rev. A Schmitz, Mr. G Watt.
- Human Resources Committee  
 Members – Mr. M Dunsmuir, Mrs. M Donald, Mr. J Graham, Mr. W Lawson, Mr. J MacDonell, Mr. S Matthew, Mr. D G Morgan OBE, Mrs. D Morgan, Rev. A Schmitz, Mr. G Watt.
- Remuneration Committee  
 Members – Mr. J Graham, Mr. W Lawson, Mr. D G Morgan OBE, Mrs. J Orskov, Rev. 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, Rev. A Schmitz.

#### Other Committees

- Accommodation Committee
- Contracts Committee
- Premature Retirement Committee
- Clinterty Committee

**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

**PROFESSIONAL ADVISERS**

External auditors:	Baker Tilly
Internal auditors:	Deloitte & Touche
Bankers:	Bank of Scotland
Solicitors:	Paull and Williamsons Burnside Kemp Fraser James & George Collie Iain Smith and Company

Copy documents can be obtained from the address below

**Signed on behalf of the Board of Management**

**Chairman:** G A H Watt

**Date:** 16 December 2002

**Aberdeen College  
Gallowgate Centre  
Gallowgate  
Aberdeen AB25 1BN**

**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.

**Signed on behalf of the Board of Management**

**Chairman:** G A H Watt

**Date:** 16 December 2002

**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.

**Signed on behalf of the Board of Management**

**Chairman:** G A H Watt

**Date:** 16 December 2002

**Statement on the System of Internal Financial Control**

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by Aberdeen College.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of Management;
- regular reviews by the Board of Management of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines where appropriate.

Aberdeen College has an internal audit service which operates in accordance with the requirements of the Council's Audit Code of Practice. The work of the internal auditors is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the College's Board of Management on the recommendation of the Audit Committee. At least annually, the internal auditors provide the Board of Management with a report on the internal audit activity in the College. The report includes the internal auditor's opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the audit committee which oversees the work of the internal auditors, the executive managers within the College who have responsibility for the development and maintenance of the financial control framework, and comments made by the College's external auditors in their management letters and other reports.

**Principal:** R Angus

**Date:** 16 – 12 - 02

**Independent Auditors' Report****To the Members of the Board of Management of Aberdeen College, The Scottish Parliament and the Auditor General for Scotland**

We have audited the financial statements on pages 10 to 33 under the Further and Higher Education (Scotland) Act 1992. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting policies set out on pages 10 to 12.

**Respective responsibilities of the Board of Management, Accountable Officer and Auditors**

As described on page 6 the Board of Management and the Accountable Officer are responsible for the preparation of the financial statements in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued by the Scottish Further Education Funding Council, which requires compliance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions, and for the regularity of financial transactions. Our responsibilities, as independent auditor(s), are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

We report to you our opinions as to whether the financial statements give a true and fair view and are properly prepared in accordance with statute and the Accounts Direction. We also report if, in our opinion, the Board of Management 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 are also required to report our opinion as to whether, in all material respects:

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.
- funds provided by the Scottish Further Education Funding Council have been applied in accordance with the Financial Memorandum issued by the Council.
- funds from whatever source administered by the College for specific purposes have been properly applied for the intended purposes.

We review whether the Corporate Governance Statement on page 5 complies with the requirements of the Scottish Further Education Funding Council. We report if the statement does not meet these requirements or if the statement is misleading or inconsistent with other information we are aware of from our audit.

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

**Basis of audit opinions**

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom 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 and the Accountable Officer 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, and on the regularity of the financial transactions included in the financial statements. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

In our opinion, the financial statements give a true and fair view of the state of affairs of the College at 31 July 2002 and of its surplus of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued by the Scottish Further Education Funding Council.

*Regularity*

In our opinion in all material respects:

- The expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.
- Funds provided by the Scottish Further Education Funding Council have been applied in accordance with the Financial Memorandum dated 5 April 2000 and any other terms and conditions attached to them for the year ended 31 July 2002.
- Funds from whatever source administered by the College for specific purposes have been properly applied for the intended purposes.

Baker Tilly

Baker Tilly  
Registered Auditors  
Chartered Accountants  
23 Queen Street  
EDINBURGH  
EH2 1JX  
**16 December 2002**

**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. During 2002 the Board of Management considered the expected useful economical life of College buildings and resolved that the buildings be depreciated over a period of 40 years. This replaces the previous method of depreciating buildings over a period of 20 years. The effect of this is a reduction in the depreciation charge on revalued properties in the year to 31 July 2002 of £674,000 compared with the previous year.

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.

**Consolidated income and expenditure account  
For the year ended 31 July 2002**

	Notes	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
<b>INCOME</b>			
SFEFC grants	1	20,228	18,119
Tuition fees and education contracts	2	8,587	7,420
Other income	3	894	807
Investment income	4	145	214
Total income		<u>29,854</u>	<u>26,560</u>
<b>EXPENDITURE</b>			
Staff costs	5	19,144	17,472
Exceptional restructuring costs	5	435	832
Other operating expenses	6	7,883	7,487
Depreciation	7	1,973	2,654
Interest payable	8	103	122
Total expenditure		<u>29,538</u>	<u>28,567</u>
Surplus/(deficit) on continuing operations after depreciation of fixed assets at valuation and before tax		316	(2,007)
Gain on disposal of assets		93	-
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		<u>409</u>	<u>(2,007)</u>
Taxation	9	-	-
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax	10	<u>409</u>	<u>(2,007)</u>

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 2002**

	Notes	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Surplus/(deficit) on continuing operations before taxation		409	(2,007)
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	18	1,043	1,324
		<hr/>	<hr/>
Historical cost surplus/(deficit) for the period		1,452	(683)
		<hr/> <hr/>	<hr/> <hr/>

**Statement of total recognised gains and losses**  
**For the year ended 31 July 2002**

	Notes	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and taxation	18	409	(2,007)
Other Losses	18	-	(5)
Reversal of reduction in value in previous years as a result of partial VAT recovery on Fixed Assets.	18	3	172
Release of inactive prize funds	18	(10)	-
Total recognised gains/(losses) relating to the financial year		402	(1,840)
<b>Reconciliation</b>			
Opening reserves	18	22,084	23,924
Total recognised gains/(losses) for the year		402	(1,840)
Closing reserves	18	22,486	22,084

## Balance sheets as at 31 July 2002

	Notes	Group 31 July 2002 £000	Group 31 July 2001 £000	College 31 July 2002 £000	College 31 July 2001 £000
<b>Fixed Assets</b>					
Tangible assets	11	32,614	32,635	32,105	32,061
Investments	12	-	-	10	10
		<hr/>	<hr/>	<hr/>	<hr/>
		32,614	32,635	32,115	32,071
<b>Current Assets</b>					
Stock		26	103	26	103
Debtors	13	1,901	1,398	1,647	1,382
Cash at bank and in hand		3,544	1,781	3,544	1,654
		<hr/>	<hr/>	<hr/>	<hr/>
		5,471	3,282	5,217	3,139
<b>Creditors: amounts falling due within one year</b>	14	5,021	4,383	4,360	3,742
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current (liabilities)/assets</b>		450	(1,101)	857	(603)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets less current liabilities</b>		33,064	31,534	32,972	31,468
<b>Creditors: amounts falling due after more than one year</b>	15	7,186	7,138	7,161	7,094
		<hr/>	<hr/>	<hr/>	<hr/>
<b>NET ASSETS</b>		25,878	24,396	25,811	24,374
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Deferred capital grants</b>	17	3,392	2,312	3,392	2,312
<b>Reserves</b>					
Revaluation reserve	18	19,371	19,954	19,371	19,954
Capital asset reserve	18	303	488	83	208
Restricted reserve	18	23	33	23	33
Designated reserve	18	4,272	4,544	4,272	4,549
Income and expenditure account	18	(1,483)	(2,935)	(1,330)	(2,682)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total reserves</b>		22,486	22,084	22,419	22,062
		<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL</b>		25,878	24,396	25,811	24,374
		<hr/>	<hr/>	<hr/>	<hr/>

The financial statements on pages 10 to 33 were approved by the Board of Management on 16 December 2002 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 2002**

	Notes	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Cash flow from operating activities	19	2,080	1,281
Returns on investments and servicing of finance	20	51	80
Taxation		-	-
Capital expenditure and financial investment	20	(46)	(1,981)
Management of liquid resources	20	(1,088)	1,523
Financing	20	(407)	(311)
		<hr/>	<hr/>
Increase in cash in the period	21	590	592
		<hr/> <hr/>	<hr/> <hr/>

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

Increase in cash in the period	21	590	592
Increase/(Decrease) in liquid resources	21	1,088	(1,523)
Inflow from increase in debt and lease financing	21	407	312
New finance leases		(318)	(158)
		<hr/>	<hr/>
Movement in net funds in period		1,767	(777)
Net debt at beginning of period	21	(911)	(134)
		<hr/>	<hr/>
Net funds at end of period	21	856	(911)
		<hr/> <hr/>	<hr/> <hr/>

**1. SFEFC GRANTS**

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Recurrent grant	19,137	17,342
Release of deferred capital grants (SFEFC/former SOEID)	365	443
Other grants	726	334
	20,228	18,119

**2. TUITION FEES AND EDUCATION CONTRACTS**

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Higher Education - Home and European Union	2,933	2,735
Further Education - Home and European Union	2,079	1,883
Non-European Union Students Non SFEFC/former SOEID funding	122	63
Total fees paid by or on behalf of individual students	5,134	4,681
Education contracts:		
Joint course income	55	42
Prison and nursing education	99	84
Other non-SFEFC/former SOEID funded tuition	3,299	2,613
	3,453	2,739
Total	8,587	7,420

**3. OTHER INCOME**

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
European Union funds	13	67
Residences and catering	137	132
Farming activities	271	240
Release from deferred capital grants - non-SFEFC/former SOEID	50	-
Other grant income	30	-
Other Income	393	368
	894	807

**4. INVESTMENT INCOME**

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Interest receivable	145	214

**5. 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:

	Year Ended 31 July 2002	Year Ended 31 July 2001
Teaching Staff	347	354
Administrative and support staff	321	269
	668	623

<b>Staff costs for the above persons:</b>	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
---	------------------------------------	------------------------------------

Wages and salaries	17,063	15,614
Social security costs	1,114	897
Other pension costs	967	961
	19,144	17,472

Teaching Staff	12,311	11,351
Administrative and support staff	6,833	6,121
	19,144	17,472

Provision for future pension costs	433	803
Restructuring costs	2	29
	435	832

**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:

	Year Ended 31 July 2002		Year Ended 31 July 2001	
	Number Senior post- holders	Number Other Staff	Number Senior post- holders	Number Other Staff
£40,000 to £45,000	-	16	-	14
£45,001 to £50,000	-	2	-	3
£50,001 to £55,000	-	1	-	1
£60,001 to £65,000	1	-	2	-
£65,001 to £70,000	1	-	-	-
£90,001 to £95,000	-	-	1	-
£95,001 to £100,000	1	-	-	-

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

	Year Ended 31 July 2002	Year Ended 31 July 2001
The number of senior post-holders including the Principal was:	3	3

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Senior post-holder's emoluments are made up as follows:		
Salaries	229	218
Benefits in kind	-	-
Pension contributions	24	22
	<u>253</u>	<u>240</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of: £100,000 salary and £6,981 pension contributions for the year to 31 July 2002 (£95,093 and £6,561 for the year to 31 July 2001). 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:

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Fees for services as non-executive directors of subsidiary companies:		
Fees paid	-	6
Fees potentially payable	14	8
Expenses paid to Board members	4	3
	<u>18</u>	<u>17</u>

Amounts potentially payable for fees for services are £13,750 for the year to 31st July 2002 (£7,900 for the year to 31 July 2001). Payment of these amounts is dependent on guidance awaited from the Scottish Executive Enterprise & Lifelong Learning Department.

**7. ANALYSIS OF EXPENDITURE**

	Staff Costs £000	Other Operating Expenses £000	Depreciation £000	Interest Payable £000	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Teaching activities	15,629	2,177	729	-	18,535	17,470
Residences and catering	18	67	7	-	92	93
Farm	72	231	3	-	306	266
Premises	219	2,107	697	-	3,023	3,539
Administration	3,157	1,606	342	99	5,204	5,483
Other expenses	484	1,695	195	4	2,378	1,716
	<u>19,579</u>	<u>7,883</u>	<u>1,973</u>	<u>103</u>	<u>29,538</u>	<u>28,567</u>

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Other operating expenses include:		
Auditors' Remuneration (including irrecoverable VAT)		
- external audit services*	28	19
- internal audit services **	26	12
- external audit other services	23	31
Rentals under operating leases - land and buildings	130	22
Rentals under operating leases - other	255	279

\* includes £23,500 in respect of the College (2000/01 £15,666)

\*\* includes £24,593 in respect of the College (2000/01 £11,762)

**8. INTEREST PAYABLE**

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	2	16
Repayable within 5 years, by instalments	91	91
	<u>93</u>	<u>107</u>
On finance lease and hire purchase contracts	10	15
	<u>103</u>	<u>122</u>

**9. TAXATION**

**Tax on loss on ordinary activities**

	Year ended 31 July 2002	Year ended 31 July 2001
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2001- 20%).	-	-
Over/under provision in prior year	-	-
Total current tax	-	-
Deferred Tax:		
Increase in deferred tax provision	-	-
Tax on profit on ordinary activities	-	-

Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax (19%) as explained below:

Loss on ordinary activities before tax	(100,351)	(71,254)
Profit on ordinary activities multiplied by the standard rate of corporation tax (19%) (2001 - 20%)	(19,067)	(14,251)
Effects of:		
Expenses not deductible for tax purposes	-	6
Capital allowances less than depreciation	17,208	10,845
Other timing differences	1,859	3,400
Adjustment to tax charge in respect of previous period	-	-
Current tax charge for the period	-	-

**10. SURPLUS ON CONTINUING OPERATIONS FOR THE PERIOD**

The surplus/(deficit) on continuing operations for the period is made up as follows:

	Year Ended 31 July 2002	Year Ended 31 July 2001
	£000	£000
College's surplus/(deficit) for the period	510	(1,936)
Deficit generated by subsidiary undertakings after accounting for gift aid of £564,783 transferred to the College (£402,073 for the year to 31 July 2001).	(101)	(71)
	409	(2,007)

## 11. TANGIBLE FIXED ASSETS

Group	Land and Buildings Feuhold £000	Equipment £000	Computers £000	Vehicles £000	Total £000
<b>Cost or valuation</b>					
At 1 August 2001	31,893	2,652	4,569	84	39,198
Additions	1,008	382	566	-	1,956
Disposals	(4)	-	-	-	(4)
	<u>32,897</u>	<u>3,034</u>	<u>5,135</u>	<u>84</u>	<u>41,150</u>
<b>Depreciation</b>					
At 1 August 2001	1,310	1,640	3,529	84	6,563
Charge for period	675	478	820	-	1,973
Depreciation on disposals	-	-	-	-	-
At 31 July 2002	<u>1,985</u>	<u>2,118</u>	<u>4,349</u>	<u>84</u>	<u>8,536</u>
<b>Net book value</b>					
At 31 July 2002	<u>30,912</u>	<u>916</u>	<u>786</u>	<u>-</u>	<u>32,614</u>
At 31 July 2001	<u>30,583</u>	<u>1,012</u>	<u>1,040</u>	<u>-</u>	<u>32,635</u>
Inherited	27,656	-	-	-	27,656
Financed by capital grant	2,118	121	346	-	2,585
Other	1,138	795	440	-	2,373
At 31 July 2002	<u>30,912</u>	<u>916</u>	<u>786</u>	<u>-</u>	<u>32,614</u>
<b>Cost or valuation</b>					
At 1 August 2001	31,887	1,468	4,550	84	37,989
Additions	1,008	267	559	-	1,834
Disposals	(4)	-	-	-	(4)
At 31 July 2002	<u>32,891</u>	<u>1,735</u>	<u>5,109</u>	<u>84</u>	<u>39,819</u>
<b>Depreciation</b>					
At 1 August 2001	1,304	1,024	3,516	84	5,928
Charge for period	675	297	814	-	1,786
Depreciation on disposals	-	-	-	-	-
At 31 July 2002	<u>1,979</u>	<u>1,321</u>	<u>4,330</u>	<u>84</u>	<u>7,714</u>
<b>Net book value</b>					
At 31 July 2002	<u>30,912</u>	<u>414</u>	<u>779</u>	<u>-</u>	<u>32,105</u>
At 31 July 2001	<u>30,583</u>	<u>444</u>	<u>1,034</u>	<u>-</u>	<u>32,061</u>
Inherited	27,656	-	-	-	27,656
Financed by capital grant	2,118	121	346	-	2,585
Other	1,138	293	433	-	1,864
At 31 July 2002	<u>30,912</u>	<u>414</u>	<u>779</u>	<u>-</u>	<u>32,105</u>

**11. TANGIBLE FIXED ASSETS (continued)**

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.

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 2002 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	13,492
Aggregate Depreciation based on cost	2,530
Net book value based on cost	<u>10,962</u>

The net book value of tangible fixed assets includes an amount of £309,265 in respect of assets held under finance leases (College £189,198).

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 2002 £000</b>	<b>Year Ended 31 July 2001 £000</b>
Depreciation based on cost	1,202	1,352
Depreciation based on valuation	771	1,324
	<u>1,973</u>	<u>2,676</u>
Owned assets	1,742	2,519
Assets held under finance leases and hire purchase arrangements	231	157
	<u>1,973</u>	<u>2,676</u>

**12. INVESTMENTS**

	<b>College 31 July 2002 £000</b>	<b>College 31 July 2001 £000</b>
Investment in subsidiary undertakings	10	10
	<u>10</u>	<u>10</u>

**12. INVESTMENTS (continued)**

The College's teaching farms transacted 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.

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.

**13. DEBTORS**

	<b>Group</b> <b>31 July 2002</b> <b>£000</b>	<b>Group</b> <b>31 July 2001</b> <b>£000</b>	<b>College</b> <b>31 July 2002</b> <b>£000</b>	<b>College</b> <b>31 July 2001</b> <b>£000</b>
Amounts falling due within one year:				
Trade debtors	1,224	1,000	526	349
Prepayments and accrued income	529	294	375	292
Other taxation	148	104	148	104
Amounts owed by subsidiary undertakings	-	-	598	637
	<u>1,901</u>	<u>1,398</u>	<u>1,647</u>	<u>1,382</u>

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

	<b>Group</b> <b>31 July 2002</b> <b>£000</b>	<b>Group</b> <b>31 July 2001</b> <b>£000</b>	<b>College</b> <b>31 July 2002</b> <b>£000</b>	<b>College</b> <b>31 July 2001</b> <b>£000</b>
Bank overdraft	85	-	-	-
Loans	131	131	131	131
Obligations under finance lease and hire purchase contracts	248	171	166	114
Trade creditors	1,250	586	1,149	554
Other taxation and social security	556	543	460	437
Accruals and deferred income	2,751	2,952	2,454	2,506
	<u>5,021</u>	<u>4,383</u>	<u>4,360</u>	<u>3,742</u>

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

	<b>Group 31 July 2002 £000</b>	<b>Group 31 July 2001 £000</b>	<b>College 31 July 2002 £000</b>	<b>College 31 July 2001 £000</b>
Loans	2,124	2,256	2,124	2,256
Obligations under finance lease and hire purchase contracts	101	135	76	91
Future pension costs arising from early retirement and the equalisation of pension contributions under the Local Government Superannuation Scheme	4,264	4,153	4,264	4,153
Excess of cost over payment to pension funds	697	594	697	594
	<u>7,186</u>	<u>7,138</u>	<u>7,161</u>	<u>7,094</u>

**16. BORROWINGS****(a) Loans**

	<b>Group 31 July 2002 £000</b>	<b>Group 31 July 2001 £000</b>	<b>College 31 July 2002 £000</b>	<b>College 31 July 2001 £000</b>
Loans are repayable as follows:				
In one year or less	131	131	131	131
Between one and two years	131	131	131	131
Between two and five years	394	394	394	394
Five years or more	1,599	1,731	1,599	1,731
	<u>2,255</u>	<u>2,387</u>	<u>2,255</u>	<u>2,387</u>

Loans comprise 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) Finance Leases**

	<b>Group 31 July 2002 £000</b>	<b>Group 31 July 2001 £000</b>	<b>College 31 July 2002 £000</b>	<b>College 31 July 2001 £000</b>
The net finance lease and hire purchase obligations to which the Group and College are committed are:				
In the next year	248	171	166	114
In the second to fifth years inclusive	101	135	76	91
	<u>349</u>	<u>306</u>	<u>242</u>	<u>205</u>

**17. DEFERRED CAPITAL GRANTS**

Group and College	Land and buildings £000	Equipment £000	SFEFC Total £000
<b>SFEFC</b>			
At 1 August 2001	1,879	433	2,312
Cash received	1,122	205	1,327
Released to income and expenditure	(86)	(279)	(365)
At 31 July 2002	<u>2,915</u>	<u>359</u>	<u>3,274</u>
<b>SUFI</b>			
At 1 August 2001	-	-	-
Cash received	9	159	168
Released to income and expenditure	-	(50)	(50)
At 31 July 2002	<u>9</u>	<u>109</u>	<u>118</u>
<b>Total as at 31 July 2002</b>	<b><u>2,924</u></b>	<b><u>468</u></b>	<b><u>3,392</u></b>

**18. RESERVES**

Group	Revaluation Reserve £000	Capital Asset Reserve £000	Restricted Reserve £000	Designated Reserve £000	Income & Expenditure Account £000	Total £000
At 1 August 2001	19,954	488	33	4,544	(2,935)	22,084
Surplus on continuing operations after depreciation of assets at valuation and before taxation	-	-	-	-	409	409
Transfers from revaluation, capital asset & designated reserves to income & expenditure account	(586)	(185)	-	(272)	1,043	-
Reversal of reduction in value in previous years as a result of partial VAT recovery on fixed assets	3	-	-	-	-	3
Release of inactive prize funds	-	-	(10)	-	-	(10)
At 31 July 2002	<u>19,371</u>	<u>303</u>	<u>23</u>	<u>4,272</u>	<u>(1,483)</u>	<u>22,486</u>

**18. RESERVES (continued)**

College	Revaluation Reserve £000	Capital Asset Reserve £000	Restricted Reserve £000	Designated Reserve £000	Income & Expenditure Account £000	Total £000
At 1 August 2001	19,954	208	33	4,549	(2,682)	22,062
Deficit on continuing operations after depreciation of assets at valuation and before taxation	-	-	-	-	510	510
Provision for retained losses on dormant subsidiary company	-	-	-	-	(146)	(146)
Transfers from revaluation, capital asset & designated reserves to income & expenditure account	(586)	(125)	-	(277)	988	-
Reversal of reduction in value in previous years as a result of partial VAT recovery on fixed assets	3	-	-	-	-	3
Release of inactive prize funds	-	-	(10)	-	-	(10)
At 31 July 2002	19,371	83	23	4,272	(1,330)	22,419

**19. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and before tax	409	(2,007)
Depreciation	1,973	2,653
Deferred capital grants released to income	(415)	(310)
Gain on sale of asset	(93)	-
Interest payable	103	122
Interest receivable	(145)	(214)
Decrease in stocks	77	5
Increase in debtors	(512)	(64)
Increase in creditors	469	937
Increase in provisions	214	159
Net cash inflow from operating activities	2,080	1,281

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

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
<b>Returns on investment and servicing of finance</b>		
Interest received	154	202
Interest paid	(93)	(107)
Interest element of finance lease payments	(10)	(15)
	51	80
<b>Capital Expenditure</b>		
Payments to acquire tangible fixed assets	(1,638)	(3,557)
Receipts from sale of tangible fixed assets	97	-
Receipts from SFEFC re capital grants	1,495	1,576
Net cash (outflow) from capital expenditure	(46)	(1,981)

## ANALYSIS OF GROSS CASH FLOWS FOR HEADINGS

## 20. NETTED IN CASH FLOW STATEMENT (continued)

	Year Ended 31 July 2002 £000	Year Ended 31 July 2001 £000
<b>Management of liquid resources</b>		
Withdrawals from short-term deposits	-	1,523
Payments into short-term deposits	(1,088)	-
Net cash (outflow)/inflow from management of liquid resources	<u>(1,088)</u>	<u>1,523</u>
<b>Financing</b>		
Movement in debt due within a year	-	-
Movement in debt due beyond a year	(132)	(153)
Capital element of finance lease rental payments	(275)	(158)
Net (outflow) from financing	<u>(407)</u>	<u>(311)</u>

## 21. CHANGES IN NET FUNDS

	At 31 July 2001 £000	Cash Flows £000	Other Non- Cash Changes £000	At 31 July 2002 £000
Cash in hand and at bank	1,119	675	-	1,794
Overdrafts	-	(85)	-	(85)
Liquid resources	1,119	590	-	1,709
Debt due within one year	662	1,088	-	1,750
Debt due after one year	(131)	-	-	(131)
Finance leases	(2,255)	132	-	(2,123)
	(306)	275	(318)	(349)
Total	<u>(911)</u>	<u>2,085</u>	<u>(318)</u>	<u>856</u>

## 22. CAPITAL COMMITMENTS

<b>Group and College</b>	<b>31 July 2002 £000</b>	<b>31 July 2001 £000</b>
Commitments contracted for at year end	<u>673</u>	<u>348</u>

## 23. FINANCIAL COMMITMENTS

At the year end the Group and the College had annual commitments under non-cancellable operating leases as follows:

<b>Group</b>	<b>Land and buildings £000</b>	<b>Other £000</b>	<b>Total £000</b>
Expiring within one year	-	2	2
Expiring between two and five years inclusive	-	271	271
Expiring after more than five years	130	-	130
	<u>130</u>	<u>273</u>	<u>403</u>

**23. FINANCIAL COMMITMENTS (continued)**

<b>College</b>	<b>Land and buildings £000</b>	<b>Other £000</b>	<b>Total £000</b>
Expiring within one year	-	2	2
Expiring between two and five years inclusive	-	249	249
	-	251	251

**24. LOSSES AND SPECIAL PAYMENTS**

During the period the College wrote off bad debts totalling £98,715 (2001: £150,294) under its delegated authority from SFEFC in respect of losses and special payments

**25. HARDSHIP FUNDS**

	<b>Year Ended 31 July 2002 £000</b>	<b>Year Ended 31 July 2001 £000</b>
Funding Council grants	927	495
Interest earned	19	12
	946	507
Disbursed to Students	(745)	(492)
	201	15
Prior year balance brought forward	44	29
	245	44

**26. 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 surplus 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 of 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 2003 would then be 13.40% which, compared with the current rate of 13.15%, 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 was due at March 2001 when the above rates were to be reviewed. It is not known if the review has taken place.

The total STPS pension cost for the College was £398,000 (2000/2001 £400,000). This includes £33,000 (2000/2001 £32,000) outstanding contributions at the balance sheet date. The contributions rate payable by the college was 6.9% of pensionable salaries from 1 August 2001 to 31 March 2002 and 7.15% from 1 April 2002 to 31 July 2002.

**Aberdeen City Council Pension Fund**

Aberdeen College participates in the Local Government Pension Scheme. The Local Government Pension scheme is a defined benefit scheme based on final pensionable salary.

The most recent valuation was carried out as at 31 March 1999, and has been updated by independent actuaries to the Aberdeen City Council Pension Fund to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 July 2002. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

The contribution rates certified for Aberdeen College at the 31 March 1999 valuation are as follows:

April 2000 to March 2001	200% of members' contributions
April 2001 to March 2002	215% of members' contributions
April 2002 to March 2003	230% of members' contributions

These figures include the past service element of the contribution rate.

The main assumptions used for the purposes of FRS17 are as follows:

	31 July 2002	31 July 2001
Discount rate	6.0% pa	5.9% pa
Rate of increase in salaries	3.9% pa	4.0% pa
Rate of increase in pensions in payment	2.4% pa	2.5% pa
Rate of increase in deferred pensions	2.4% pa	2.5% pa
	31 July 2002	31 July 2001
Rate of inflation	2.4% pa	2.5% pa
Rate of return in Equities	7.9% pa	7.9% pa
Rate of return on Bonds	4.9% pa	4.9% pa
Rate of return on Property	6.9% pa	6.9% pa
Rate of return on Other assets	3.4% pa	3.4% pa
Average rate of return	7.2% pa	7.3% pa

Assets are valued at fair value, principally market value for investments, and comprise:

	31 July 2002	31 July 2001
Equities	£8.87m	£10.10m
Bonds	£1.54m	£1.62m
Property	£0.66m	£0.56m
Other	£0.55m	£0.90m
Total	£11.62m	£13.18m

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 July 2002 and 31 July 2001.

The following amounts were measured in accordance with the requirements of FRS17:

	31 July 2002	31 July 2001
Share of assets in Aberdeen City Council Pension Fund	£11.62m	£13.18m
Estimated liabilities in Aberdeen City Council Pension Fund	£15.08m	£14.34m
Deficit in Scheme	<u>£ (3.46m)</u>	<u>£ (1.16m)</u>

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% employees' 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 £616,000 (2000/2001 £568,000). This includes £55,000 (2000/2001 £48,000) outstanding contributions at the balance sheet date. The contribution rate payable by the College was 13.8% of pensionable salaries.

### Group Personal Pension Plan

In addition the subsidiary company of Aberdeen College operates a group personal pension scheme for employees providing benefits based on defined levels of contribution.

## 27. TRANSACTIONS WITH MEMBERS OF THE BOARD OF MANAGEMENT

The College's Register of Interests is maintained by the College Secretary.

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:

Member	Company	Type of Contract	Expenditure 2000/01
Mr R Angus	Offshore Petroleum Industry Training Organisation (OPITO)	Supply of Training	£163,000
		Purchase of materials	£20,233
	Engineering Construction Industry Training Board	Supply of Training	£465,832

Mr R Angus resigned from the Board of Directors of OPITO Limited (a wholly owned subsidiary of OPITO), on 17 June 2002 and resigned as a Member of OPITO when the organisation was subsumed by Cogent on 1 April 2002.

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.

Member	Organisation	Position
Mr R Angus	Aberdeen Safer Communities	Trustee
	AbMAN Ltd	Director
Mr J G Graham	University of Aberdeen	Member of University Court
Mr A Cameron	Aberdeenshire Council	Elected Member
Mr P Hannan	Aberdeen Cyrenians	Chief Executive
Mrs M Donald	The Robert Gordon University	Governor

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, Mr W Lawson, Mr S Matthew, Mrs J Orskov, Mr G Watt, Mr M Dunsmuir, Mr J MacDonell (resigned 31 July 2002), Rev Schmitz, Mrs D Morgan (resigned September 2001).

**28. 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.