



ABERDEEN COLLEGE

**FINANCIAL STATEMENTS
for the Year to 31 July 2003**

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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 2003.

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 the majority of 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 deficit on continuing operations after depreciation of assets at valuation, disposals of assets and taxation of £13,000 (FY2001-02 - £409,000 surplus). 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 £600,000 (FY2001-02 - £1,180,000).

The accumulated deficit on the Income and Expenditure Account at 31 July 2003 was £659,000 (31 July 2002 - £1,483,000 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 2003 was £4,314,000 (31 July 2002 - £4,264,000). In addition, the accounting provision for the excess of cost over payment to pension funds increased in the period to £762,000 (31 July 2002 - £697,000).

The College's cash and liquid resources position at the end of the period was £5,952,000 (31 July 2002- £3,544,000).

Physical Developments

In the reporting period the College spent £1,712,000 improving accommodation. Projects included the installation of lifts to improve accessibility at College centres at cost of £305,000, refurbishment of toilet accommodation at a cost of £78,500, roofing works at the Gallowgate Centre £49,000 and renewal of training facilities for service industries £133,000.

Investment continued in equipment. In the period, the College invested £736,000 in information and communication technologies equipment and a further £371,000 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. 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 2003-04 to improve the College estate at a budgeted cost of £1,273,000. 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 35 days in the year to 31 July 2003 (33 days in the year to 31 July 2002).

Membership of the Board of Management

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

Mr. R. Angus
 Ms. M. Beare (Joined February 2003)
 Cllr. A Cameron
 Mrs. M Donald
 Mr. M Dunsmuir
 Mr. R. Goodbrand (Joined April 2003)
 Mr. J Graham
 Mr. P Hannan
 Mr. J. Hird (Joined January 2003)
 Mr. W Lawson
 Mr. S Matthew (Resigned March 2003)
 Mr. D G Morgan OBE (Resigned March 2003)
 Mrs. J Orskov (Resigned March 2003)
 Mr. T. Roebuck (Joined August 2002) (Resigned August 2003)
 Rev. A Schmitz
 Mr. G Watt

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 2003.

Key Committees:

- **Audit Committee**
 Members- Cllr. A Cameron, Ms. M Beare, Mrs. M Donald, Mr. R Goodbrand, Mr. Hannan, Mr. J Hird, Mr. Matthew, Mrs. Orskov.
- **Course Provision and Student Services Committee**
 Members- Ms. M Beare, Cllr. A Cameron, Mrs M Donald, Mr. M Dunsmuir, Mr. J Graham, Mr. P Hannan, Mr. J Hird, Mr. D G Morgan OBE, Mrs. J Orskov, Mr. T Roebuck, Rev. A Schmitz.
- **Finance and General Purposes Committee**
 Members – Mr. M Dunsmuir, Mr. J Graham, Mr. W Lawson, Mr. D G Morgan OBE, Mr. T Roebuck, Rev. A Schmitz, Mr. G Watt.
- **Human Resources Committee**
 Members – Ms. M Beare, Mr. M Dunsmuir, Mrs. M Donald, Mr. R Goodbrand, Mr. J Graham, Mr. J Hird, Mr. W Lawson, Mr. S Matthew, Mr. D G Morgan OBE, Mr. T Roebuck, Rev. A Schmitz, Mr. G Watt.
- **Remuneration Committee**
 Members – Mrs M Donald, Mr. J Graham, Mr. W Lawson, Mr. D G Morgan OBE, Mrs. J Orskov, Rev. A Schmitz, Mr. G Watt.
- **Membership Committee**
 Members – Ms. M Beare, Mr. G Watt, Mr. R Angus, Cllr. A Cameron, Mrs. M Donald, Mr. J Graham, Mr. P Hannan, Mr. J Hird, 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

G A H Watt, Chairman

8 December 2003

**Aberdeen College
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

G A H Watt, Chairman

8 December 2003

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

G A H Watt, Chairman

8 December 2003

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.

R Angus, Principal

8 December 2003

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 36 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.

This report is made solely to the parties to whom it is addressed in accordance with the public Finance and accountability (Scotland) Act 2000 and the code of Audit Practice approved by the Auditor General for Scotland and for no other purpose as set out in paragraph 43 of the statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland dated July 2001.

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 auditors, 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.

Report of the Auditors to the Auditor General and the Board of Management of Aberdeen College (Continued).**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.

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 2003 and of its deficit of income against 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 2003.
- Funds from whatever source administered by the College for specific purposes funds have been properly applied for the intended purposes.

Baker Tilly
Registered Auditors
Chartered Accountants
23 Queen Street
EDINBURGH
EH2 1JX

8 December 2003

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 which 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 2003 the Board of Management considered the expected useful economical life of College buildings and resolved that the buildings be depreciated over a period of 50 years. This replaces the previous method of depreciating buildings over a period of 40 years. The effect of this is a reduction in the depreciation charge on revalued properties in the year to 31 July 2003 of £140,000 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 or 4 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 were recorded in a Capital Asset Reserve and have been 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 2003**

Restated **

	Notes	Year ended 31 July 2003	Year ended 31 July 2002
		£000	£000
INCOME			
SFEFC grants	1	21,300	20,567
Tuition fees and education contracts	2	8,321	8,587
Other income	3	662	894
Investment income	4	220	145
Total income		<u>30,503</u>	30,193
EXPENDITURE			
Staff costs	5	19,442	19,144
Exceptional restructuring costs	5	441	435
Other operating expenses	7	8,793	8,222
Depreciation	7	1,630	1,973
Interest payable	8	209	103
Total expenditure		<u>30,515</u>	29,877
(Deficit)/Surplus on continuing operations after depreciation of fixed assets at valuation before tax		(12)	316
Gain on disposal of assets		1	93
(Deficit)/Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		(11)	409
Taxation	9	(2)	-
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	10	(13)	409

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 hardship funds have been excluded from the income and expenditure account.

** SFEFC Grants for the year ended 31 July 2002 have been restated in order to comply with the latest Statement of Recommended Practice for Further & Higher Education. SFEFC Grants are now to include the Childcare Grant and in order to ensure comparability the figures for year ended 31 July 2002 have been amended.

**Consolidated statement of historical cost surpluses and deficits
For the year ended 31 July 2003**

	Notes	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
(Deficit)/Surplus on continuing operations before taxation		(11)	409
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	19	611	771
Historical cost surplus for the period		600	1,180

**Statement of total recognised gains and losses
For the year ended 31 July 2003**

	Notes	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation	19	(13)	409
Reversal of reduction in value in previous years as a result of partial VAT recovery on fixed assets	19	-	3
Release of inactive prize funds	19	-	(10)
Total recognized (losses)/gains relating to the financial year		(13)	402
Reconciliation			
Opening reserves	19	22,486	22,084
Total recognized (losses)/gains for the year		(13)	402
Closing reserves	19	22,473	22,486

Balance sheets as at 31 July 2003

	Notes	Group 31 July 2003 £000	Group 31 July 2002 £000	College 31 July 2003 £000	College 31 July 2002 £000
Fixed assets					
Tangible assets	11	33,164	32,614	32,767	32,105
Investments	12	-	-	10	10
		33,164	32,614	32,777	32,115
Current assets					
Stock		30	26	30	26
Debtors	13	1,521	1,901	1,397	1,647
Cash at bank and in hand		5,952	3,544	5,613	3,544
		7,503	5,471	7,040	5,217
Creditors: amounts falling due within one year	14	6,019	5,021	5,162	4,360
Net current assets		1,484	450	1,878	857
Total assets less current liabilities		34,648	33,064	34,655	32,972
Creditors: amounts falling due after more than one year	15	2,251	2,225	2,247	2,200
Provisions for liabilities and charges	17	5,076	4,961	5,076	4,961
NET ASSETS		27,321	25,878	27,332	25,811
Deferred capital grants	18	4,848	3,392	4,848	3,392
Reserves					
Revaluation reserve	19	18,903	19,371	18,903	19,371
Capital asset reserve	19	160	303	-	83
Restricted reserve	19	22	22	22	22
Designated reserve	19	4,047	4,273	4,047	4,273
Income and expenditure account	19	(659)	(1,483)	(488)	(1,330)
Total reserves		22,473	22,486	22,484	22,419
TOTAL		27,321	25,878	27,332	25,811

The financial statements on pages 13 to 36 were approved by the Board of Management on 8th December 2003 and signed on its behalf by:

G A H Watt
Chairman

R Angus
Principal and Chief Executive

Consolidated cash flow statement
For the year ended 31 July 2003

	Notes	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Cash flow from operating activities	20	2,853	2,080
Returns on investments and servicing of finance	21	(1)	51
Taxation		(1)	-
Capital expenditure and financial investment	21	(293)	(46)
Management of liquid resources	21	1,750	(1,088)
Financing	21	(65)	(407)
		<hr/>	<hr/>
Increase in cash in the period	22	4,243	590
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period	22	4,243	590
Increase/(decrease) in liquid resources	22	(1,750)	1,088
Inflow from increase in debt and lease financing	22	65	407
New finance leases		-	(318)
		<hr/>	<hr/>
Movement in net funds in period		2,558	1,767
Net funds/(debt) at beginning of period	22	856	(911)
		<hr/>	<hr/>
Net funds at end of period	22	3,414	856
		<hr/>	<hr/>

1. SFEFC GRANTS

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Recurrent grant **	19,647	19,137
Release of deferred capital grants (SFEFC/former SOEID)	394	365
Other grants	1,259	1,065
	21,300	20,567

** Recurrent Grant figures for year ended 31 July 2002 have been restated in order to comply with the latest Statement of Recommended Practice for Further & Higher Education. Recurrent Grants are now to include Childcare Grants and to ensure comparability the figures for year ended 31 July 2002 have been amended.

2. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Higher Education - Home and European Union	2,951	2,933
Further Education - Home and European Union	2,023	2,079
Non-European Union Students Non SFEFC/former SOEID funding	173	122
Total fees paid by or on behalf of individual students	5,147	5,134
<i>Education contracts:</i>		
Joint course income	88	55
Prison and nursing education	106	99
Other non-SFEFC/former SOEID funded tuition	2,980	3,299
	3,174	3,453
Total	8,321	8,587

3. OTHER INCOME

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
European Union funds	29	13
Residences and catering	141	137
Farming activities *	105	271
Release from deferred capital grants - non-SFEFC/former SOEID	35	50
Other grant income	-	30
Other Income	352	393
	662	894

* Farming activities have continued to decrease and subsequent to the year end the majority of farm land has been sold. (note 30)

4. INVESTMENT INCOME

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Interest receivable	220	145

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 2003 No.	Year ended 31 July 2002 No.
Teaching staff	298	347
Support and administrative staff	355	321
	653	668

Staff costs for the above persons:

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Wages and salaries	17,186	17,063
Social security costs	1,020	967
Other pension costs	1,236	1,114
	19,442	19,144

Teaching staff	12,171	12,311
Support and administrative staff	7,271	6,833
	19,442	19,144

Provision for future pension costs	341	433
Restructuring costs	100	2
	441	435

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 2003 Number Senior post- holders	Number other staff	Year ended 31 July 2002 Number Senior post- holders	Number other staff
£40,000 to £45,000	-	4	-	16
£45,001 to £50,000	-	7	-	2
£50,001 to £55,000	-	5	-	1
£60,001 to £65,000	-	-	1	-
£65,001 to £70,000	1	-	1	-
£75,001 to £80,000	1	-	-	-
£95,001 to £100,000	-	-	1	-
£100,001 to £105,000	1	-	-	-

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

	Year ended 31 July 2003 No.	Year ended 31 July 2002 No.
The number of senior post-holders including the Principal was:	<u>3</u>	<u>3</u>
	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Senior post-holder's emoluments are made up as follows:		
Salaries	244	229
Benefits in kind	-	-
Pension contributions	27	24
	<u>271</u>	<u>253</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of: £103,900 salary and £7,508 pension contributions for the year to 31 July 2003 (£100,000 and £6,981 for the year to 31 July 2002). 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 2003 £000	Year ended 31 July 2002 £000
Fees for services as non-executive directors of subsidiary companies:		
Fees paid	-	-
Fees potentially payable	(14)	14
Expenses paid to Board members	4	4
	<u>(10)</u>	<u>18</u>

Amounts potentially payable for fees for services for the period to 31st July 2002 have been reversed pending guidance from the Scottish Executive Enterprise & Lifelong Learning Department. (See note 30)

7. ANALYSIS OF EXPENDITURE

	Staff costs £000	Other operating expenses £000	Depreciation £000	Interest payable £000	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Teaching activities **	15,463	2,898	569	-	18,930	18,874
Residences and catering	20	76	7	-	103	92
Farm (note 3)	94	44	2	-	140	306
Premises	266	2,451	567	-	3,284	3,023
Administration	3,583	1,692	295	209	5,779	5,204
Other expenses	457	1,632	190	-	2,279	2,378
	19,883	8,793	1,630	209	30,515	29,877

** Teaching activities expenditure costs for year ended 31 July 2002 have been restated in order to comply with the latest Statement of Recommended Practice for Further & Higher Education. Childcare expenditure now has to be included within expenditure and to ensure comparability the figures for year ended 31 July 2002 have been amended.

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Other operating expenses include:		
Auditors' remuneration (including irrecoverable VAT)		
- external audit services*	28	28
- internal audit services **	19	26
- external audit other services	13	23
Rentals under operating leases - land and buildings	130	130
Rentals under operating leases - other	282	255

* includes £23,500 in respect of the College (2001/02 £23,500)

** includes £18,894 in respect of the College (2001/02 £24,593)

8. INTEREST PAYABLE

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by installments	-	2
Repayable in more than 5 years, by installments	203	91
	203	93
On finance lease and hire purchase contracts	6	10
	209	103

9. TAXATION
Tax on loss on ordinary activities

	Year ended 31 July 2003 £	Year ended 31 July 2002 £
<i>Current tax:</i>		
In respect of the year:		
UK Corporation tax based on the results for the year at 19%	713	-
Under provision in prior year	790	-
Total current tax	<u>1,503</u>	-
<i>Deferred tax:</i>		
Increase in deferred tax provision	-	-
Tax on profit on ordinary activities	<u>1,503</u>	-

Factors affecting tax charge for the year

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

Loss on ordinary activities before tax of subsidiary (see note 10)	(75,675)	(100,351)
Loss on ordinary activities multiplied by the standard rate of corporation tax (19%)	(14,378)	(19,067)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	11,400	-
Capital allowances less than depreciation	1,886	17,208
Other timing differences	-	1,859
Gift aid allowed for earlier year	2,612	-
Adjustment to tax charge in respect of previous period	790	-
Starting rate of tax	(807)	-
Current tax charge for the year	<u>1,503</u>	-

10. (DEFECIT)/SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

	Year ended 31 July 2003	Year ended 31 July 2002
The (deficit)/surplus on continuing operations for the year is made up as follows:		
College's surplus/(deficit) for the year	65	510
(Deficit)/Surplus generated by subsidiary undertakings after accounting for gift aid £618,662 transferred to the College (£564,783 for the year to 31 July 2002) and taxation of £1,503, 2002 Nil)	(78)	(101)
	<u>(13)</u>	<u>409</u>

11. TANGIBLE FIXED ASSETS

	Land and Buildings Freehold	Equipment	Computers	Vehicles	Total
	£000	£000	£000	£000	£000
Group					
Cost or valuation					
At 1 August 2002	32,897	3,034	5,135	84	41,150
Additions	1,073	371	736	-	2,180
Disposals	-	(4)	-	-	(4)
	33,970	3,401	5,871	84	43,326
Depreciation					
At 1 August 2002	1,985	2,118	4,349	84	8,536
Charge for year	559	439	632	-	1,630
Depreciation on disposals	-	(4)	-	-	(4)
At 31 July 2003	2,544	2,553	4,981	84	10,162
Net book value					
At 31 July 2003	31,426	848	890	-	33,164
At 31 July 2002	30,912	916	786	-	32,614
Inherited	27,187	-	-	-	27,187
Financed by capital grant	3,021	298	559	-	3,878
Other	1,218	550	331	-	2,099
At 31 July 2003	31,426	848	890	-	33,164
College					
Cost or valuation					
At 1 August 2002	32,891	1,735	5,109	84	39,819
Additions	1,073	353	678	-	2,104
Disposals	-	(4)	-	-	(4)
At 31 July 2003	33,964	2,084	5,787	84	41,919
Depreciation					
At 1 August 2002	1,979	1,321	4,330	84	7,714
Charge for year	559	260	623	-	1,442
Depreciation on disposals	-	(4)	-	-	(4)
At 31 July 2003	2,538	1,577	4,953	84	9,152
Net book value					
At 31 July 2003	31,426	507	834	-	32,767
At 31 July 2002	30,912	414	779	-	32,105
Inherited	27,187	-	-	-	27,187
Financed by capital grant	3,021	298	559	-	3,878
Other	1,218	209	275	-	1,702
	31,426	507	834	-	32,767

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 £27,186,790 at 31 July 2003 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:

	31 July 2003 £000	31 July 2002 £000
Cost	14,565	13,492
Aggregate depreciation based on cost	2,821	2,530
Net book value based on cost	11,744	10,962

The net book value of group tangible fixed assets includes an amount of £273,667 (2002: £309,265) in respect of assets held under finance leases (College £210,134 (2002: £189,198)).

Included within land and buildings are non-depreciable assets of £5,982,000 (2002: £5,982,000).

The depreciation charge for the period is analysed as follows:

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Depreciation based on cost	1,018	1,202
Depreciation based on valuation	612	771
	1,630	1,973
Owned assets	1,542	1,742
Assets held under finance leases and hire purchase arrangements	88	231
	1,630	1,973

12. INVESTMENTS

	College 31 July 2003 £000	College 31 July 2002 £000
Investment in subsidiary undertakings	10	10
	10	10

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

	Group 31 July 2003 £000	Group 31 July 2002 £000	College 31 July 2003 £000	College 31 July 2002 £000
Amounts falling due within one year:				
Trade debtors	1,158	1,224	488	526
Prepayments and accrued income	363	529	304	375
Other taxation	-	148	-	148
Amounts owed by subsidiary undertakings	-	-	605	598
	1,521	1,901	1,397	1,647

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31 July 2003 £000	Group 31 July 2002 £000	College 31 July 2003 £000	College 31 July 2002 £000
Bank overdraft	-	85	-	-
Loans (secured)	99	131	99	131
Obligations under finance lease and hire purchase contracts (secured)	189	248	169	166
Corporation tax	1	-	-	-
Trade creditors	1,066	1,247	919	1,145
Other taxation and social security	510	404	364	318
Accruals and deferred income	4,154	2,906	3,554	2,600
Amounts owed to subsidiary undertakings	-	-	57	-
	6,019	5,021	5,162	4,360

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

	Group 31 July 2003 £000	Group 31 July 2002 £000	College 31 July 2003 £000	College 31 July 2002 £000
Loans (secured)	2,154	2,124	2,154	2,124
Obligations under finance lease and hire purchase contracts (secured)	97	101	93	76
	2,251	2,225	2,247	2,200

16. BORROWINGS**(a) Loans**

	Group 31 July 2003 £000	Group 31 July 2002 £000	College 31 July 2003 £000	College 31 July 2002 £000
Loans are repayable as follows:				
In one year or less	99	131	99	131
Between one and two years	100	131	100	131
Between two and five years	330	394	330	394
Five years or more	1,724	1,599	1,724	1,599
	2,253	2,255	2,253	2,255

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

	Group 31 July 2003 £000	Group 31 July 2002 £000	College 31 July 2003 £000	College 31 July 2002 £000
The net finance lease and hire purchase obligations to which the Group and College are committed are:				
In the next year	189	248	169	166
In the second to fifth years inclusive	97	101	93	76
	286	349	262	242

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 31 July 2003	Group 31 July 2002	Group and College 31 July 2003	Group and College 31 July 2002
	£000	£000	£000	£000
Future pension costs arising from early retirement and the equalisation of pension contributions under the Local Government Superannuation Scheme:				
At 1 August 2002	4,264	4,153	4,264	4,153
Transfer to income and expenditure	50	111	50	111
At 31 July 2003	4,314	4,264	4,314	4,264
Excess of cost over payment to pension funds:				
At 1 August 2002	697	594	697	594
Transfer to income and expenditure	65	103	65	103
At 31 July 2003	762	697	762	697
Total at 31 July 2003	5,076	4,961	5,076	4,961

18. DEFERRED CAPITAL GRANTS

Group and College	Land and buildings £000	Equipment £000	Total £000
SFEFC			
At 1 August 2002	2,915	359	3,274
Cash received	1,114	738	1,852
Released to income and expenditure	(82)	(312)	(394)
At 31 July 2003	3,947	785	4,732
SUFI			
At 1 August 2002	9	109	118
Cash received	-	-	-
Released to income and expenditure	(1)	(34)	(35)
At 31 July 2003	8	75	83
Adult Literacy and Numeracy Fund			
At 1 August 2002	-	-	-
Cash received	-	33	33
Released to income and expenditure	-	-	-
At 31 July 2003	-	33	33
Total at 31 July 2003	3,955	893	4,848

19. RESERVES

	Revaluation reserve £000	Capital asset reserve £000	Restricted reserve £000	Designated reserve £000	Income and expenditure account £000	Total £000
Group						
At 1 August 2002	19,371	303	22	4,273	(1,483)	22,486
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and before taxation	-	-	-	-	(13)	(13)
Transfer from revaluation and capital assets reserves to income and expenditure account in respect of depreciation	(468)	(143)	-	-	611	-
Transfer of expenditure from income and expenditure account to designated reserve	-	-	-	(226)	226	-
At 31 July 2003	18,903	160	22	4,047	(659)	22,473
College						
At 1 August 2002	19,371	83	22	4,273	(1,330)	22,419
Surplus on continuing operations after depreciation of assets at valuation and before taxation	-	-	-	-	65	65
Transfers from revaluation and capital assets reserves to income and expenditure account in respect of depreciation	(468)	(83)	-	-	51	-
Transfer of expenditure from income and expenditure account to designated reserve	-	-	-	(226)	226	-
At 31 July 2003	18,903	-	22	4,047	(488)	22,484

20. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and before tax	(13)	409
Depreciation	1,630	1,973
Deferred capital grants released to income	(429)	(415)
Gain on sale of asset	(1)	(93)
Interest payable	209	103
Interest receivable	(220)	(145)
(Increase)/decrease in stocks	(4)	77
Increase/(decrease) in debtors	392	(512)
Increase in creditors	1,174	469
Increase in provisions	115	214
Net cash inflow from operating activities	2,853	2,080

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

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Returns on investment and servicing of finance		
Interest received	208	154
Interest paid	(203)	(93)
Interest element of finance lease payments	(6)	(10)
Net cash (outflow)/ inflow from returns on investments and servicing of finance	(1)	51

21. ANALYSIS OF GROSS CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (CONTINUED)

	Year ended 31 July 2003 £000	Year ended 31 July 2002 £000
Capital expenditure		
Payments to acquire tangible fixed assets	(2,180)	(1,638)
Receipts from sale of tangible fixed assets	2	97
Receipts from SFEFC re capital grants	1,885	1,495
Net cash outflow from capital expenditure	<u>(293)</u>	<u>(46)</u>
Management of liquid resources		
Withdrawals from short-term deposits	1,750	-
Payments into short-term deposits	-	(1,088)
Net cash outflow/(inflow) from management of liquid resources	<u>1,750</u>	<u>(1,088)</u>
Financing		
Movement in debt due within a year	(32)	-
Movement in debt due beyond a year	30	(132)
Capital element of finance lease rental payments	(63)	(275)
Net outflow from financing	<u>(65)</u>	<u>(407)</u>

22. CHANGES IN NET FUNDS

	At 31 July 2002 £000	Cash flows £000	Other non- cash changes £000	At 31 July 2003 £000
Cash in hand and at bank	1,794	4,158	-	5,952
Overdrafts	(85)	85	-	-
	<u>1,709</u>	<u>4,243</u>	<u>-</u>	<u>5,952</u>
Liquid resources	1,750	(1,750)	-	-
Debt due within one year	(131)	32	-	(99)
Debt due after one year	(2,123)	(30)	-	(2,153)
Finance leases	(349)	63	-	(286)
Total	<u>856</u>	<u>2,558</u>	<u>-</u>	<u>3,414</u>

23. CAPITAL COMMITMENTS

	31 July 2003 £000	31 July 2002 £000
Group and College		
Commitments contracted for at year end	1,048	673

24. FINANCIAL COMMITMENTS

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

	Land and buildings £000	Other £000	Total £000
Group			
<i>Expiring within:</i>			
One year	-	22	22
One and two years inclusive	-	217	217
Two and five years inclusive	130	47	177
	130	286	416
College			
<i>Expiring within:</i>			
One year	-	22	22
One and two years inclusive	-	203	203
Two and five years inclusive	-	47	47
	-	272	272

25. LOSSES AND SPECIAL PAYMENTS

During the period the College wrote off bad debts totaling £26,332 (2002: £98,715) under its delegated authority from SFEFC in respect of losses and special payments

26. HARDSHIP FUNDS

	Bursary £000	Hardship £000	YSRF * £000	Other £000	Year ended 31 July 2003 £000	Restated ** Year ended 31 July 2002 £000
At 1 August 2002	-	77	-	64	141	44
Funds received in year	3,635	193	112	211	4,151	4,029
Interest earned	-	2	-	3	5	13
Expenditure	(3,635)	(308)	(97)	(157)	(4,197)	(3,945)
Virements	-	72	-	(72)	-	-
At 31 July 2003	-	36	15	49	100	141

* YSRF Young Students Retention Fund

** The figures for year ended 31 July 2002 have been restated in order to comply with the latest Statement of Recommended Practice for Further & Higher Education. Childcare Grants and Expenditure have now to be included within the consolidated income and expenditure account. To ensure comparability the figures for year ended 31 July 2002 have been amended.

27. PENSION AND SIMILAR OBLIGATIONS**Scottish Teacher's Superannuation Scheme (STSS)**

The College participates in the Scottish Teacher's Superannuation 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 had 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 2003 would meet the balance of liability as at 31 March 1996 by the expiry of the period of 40 years commencing on 1 April 2003. The total contributions payable from 1 April 2003 would then be 13.40%.

An actuarial review has been carried out as at 31 March 2001. The result of this review is to increase the total contribution from 13.4% to 18.5% from 1 October 2003 i.e. an increase of 5.1%. Surpluses or deficits, which arise at future valuations may impact on the College's future contribution commitment

The total STSS pension cost for the College was £435,000 (2001/2002 £398,000). This includes £36,000 (2001/2002 £33,000) outstanding contributions at the balance sheet date. The contributions rate payable by the college was 7.15% of pensionable salaries from 1 August 2002 to 31 March 2003 and 7.40% from 1 April 2003 to 31 July 2003.

Aberdeen City Council Superannuation Fund (ACSPF)

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

The most recent valuation was carried out as at 31 March 2002, 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 2003. 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 2002 valuation are as follows:

April 2003 to March 2004	245% of members' contributions
April 2004 to March 2005	255% of members' contributions
April 2005 to March 2006	265% 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 2003	31 July 2002
Discount rate	5.5%pa	6.0%pa
Rate of increase in salaries	4.2%pa	3.9% pa
Rate of increase in pensions in payment	2.7%pa	2.4% pa
Rate of increase in deferred pensions	2.7%pa	2.4% pa
Rate of inflation	2.7%pa	2.4% pa
Long –term expected rates of return on:		
Equities	7.8%pa	7.9% pa
Bonds	4.8%pa	4.9% pa
Property	6.8%pa	6.9% pa
Other assets	3.3%pa	3.4% pa
Average long term expected rate of return	7.1%pa	7.2% pa

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

	31 July 2003	31 July 2002
Equities	£10.55 m	£8.87m
Bonds	£2.01m	£1.54m
Property	£0.80m	£0.66m
Other	£0.80m	£0.55m
Total	£14.16m	£11.62m

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 2003 and 31 July 2002.

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

	31 July 2003	31 July 2002
Share of assets in Aberdeen City Council Pension Fund	£14.16m	£11.62m
Estimated liabilities in Aberdeen City Council Pension Fund	£19.34m	£15.08m
Deficit in Scheme	£ (5.18m)	£ (3.46m)
Present value of unfunded liabilities	£5.08m	£4.96m
Total pension liability	£ (10.26m)	£ (8.42m)
	=====	=====

The latest actuarial valuation of the scheme was at 31 March 2002. 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; 6.7% per annum pre retirement; 5.7% per annum post retirement, 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 £1,138.2 million and the valuation results showed a funding level of 99.2% and an average required employer contribution rates for the following years of: 245% (year commencing 1 April 2003); 255% (year commencing 1 April 2004); and, 265% (year commencing 1 April 2005).

Surpluses or deficits, which arise at future valuations may impact on the College's future contribution commitment.

The total ACCPF cost for the College was £768,000 (2001/2002 £616,000). This includes £67,500 (2001/2002 £55,000) outstanding contributions at the balance sheet date. The contribution rate payable by the College was 13.8% to 31 March 2003 and 14.7% from 1 April 2003 to 31 July 2003 of pensionable salaries.

Under the transitional arrangements of FRS 17, no provision has been made by the College for the institution's share of the deficit of the scheme. If full provision were made for unfunded liabilities and the deficit on the scheme, the following entries would be made:

Balance Sheet Presentation

	Year Ended 31 July 2003 £m	Year Ended 31 July 2002 £m
Net assets per balance sheet	27.32	27.33
Unfunded pension liabilities added back	5.08	4.96
	<hr/>	<hr/>
Net assets excluding FRS 17 pension liability	32.40	32.29
Net FRS 17 liability	(10.26)	(8.42)
	<hr/>	<hr/>
Net assets including FRS 17 pension liability	22.14	23.87
	<hr/> <hr/>	<hr/> <hr/>

Reserves Note

	Year Ended 31 July 2003 £m	Year Ended 31 July 2002 £m
Income and expenditure account excluding FRS 17 pension liability	(0.66)	(0.49)
Unfunded pension liabilities added back	5.08	4.96
	<hr/>	<hr/>
Income and expenditure account per balance sheet	4.42	4.47
FRS 17 reserve	(10.26)	(8.42)
	<hr/>	<hr/>
Income and expenditure account including FRS 17 pension liability	(5.84)	(3.95)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the amount charged to income and expenditure account

	Year Ended 31 July 2003 £m	Year Ended 31 July 2002 £m
Service cost	(0.68)	(0.58)
Past service cost	-	-
	<hr/>	<hr/>
Total operating charge	(0.68)	(0.58)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of net return on pension scheme

Expected return on pension scheme assets	0.92	0.97
Interest on pension liabilities	(0.91)	(0.86)
	<hr/>	<hr/>
Net return	0.01	0.11
	<hr/>	<hr/>
Net Revenue Account Cost	(0.67)	(0.47)

Amount recognised in the statement of total recognised gains and losses (STRGL)

Actual return less expected return on pension scheme assets	0.13	(3.14)
Experience gains and losses arising on the scheme liabilities	2.12	0.0
Change in financial and demographic assumptions underlying the scheme liabilities	(4.01)	0.76
	<u>(1.76)</u>	<u>(2.38)</u>

Movement in deficit during year

	Year Ended 31 July 2003 £m	Year Ended 31 July 2002 £m
Deficit in scheme at 1 August	(3.46)	(1.16)
Movement in year :		
Current service charge	(0.68)	(0.58)
Contributions	0.71	0.55
Past service costs	-	-
Net interest/return on assets	0.01	0.11
Actuarial loss	(1.76)	(2.38)
	<u>(5.18)</u>	<u>(3.46)</u>

History of experience gains and losses

Difference between the expected and actual return on assets :	0.13	(3.14)
Value of assets	14.16	11.62
% of scheme assets	0.1%	-27.0%
Experience gains and losses on scheme liabilities :	2.12	0
Present value of liabilities	24.42	20.04
% of scheme liabilities	8.7%	-
Total amount recognised in STRGL	(1.76)	(2.38)
Present value of liabilities	24.42	20.04
% of scheme liabilities	-7.2%	-11.9%

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.

28. 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:

Member	Company	Type of Contract	Income 2002/03
Mr R Angus	Engineering Construction Industry Training Board	Supply of Training	£442,749

Mr R Angus resigned from the Board of Engineering Construction Industry Training Board, on 31 March 2003.

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 AbMAN Ltd (Resigned December 2002)	Trustee 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	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 G Watt, Ms M Beare (appointed February 2003), Mr M Dunsmuir, Mr R Goodbrand (appointed April 2003), Mr J Hird (appointed January 2003), Mr S Matthew (resigned March 2003), Mr D G Morgan OBE (resigned March 2003), Mrs J Orskov (resigned March 2003), Mr T Roebuck, Rev A Schmitz.

29. 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, Scottish Enterprise Grampian 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.

30. Post Balance Sheet Events

Since the end of the financial year the College has disposed of its teaching farms and other properties for a combined sum of £1,460,165. The disposals have been conducted in accordance with the delegated authority given to the Board of Management by the Scottish Further Education Funding Council in circular FE/48/2000. The Scottish Further Education Funding Council has confirmed that the College may retain the proceeds of sale of these assets.

On the 22 October 2003 the Board of Directors of Aberdeen Skills and Enterprise Training Ltd issued (at par) 20,000 ordinary shares of £1 each in the capital of the company to the Board of Management of Aberdeen College. The Board of Management has taken up these shares and fully paid them at par value.

31. Contingent Liabilities

The Board of Management of the college's subsidiary Aberdeen Skills and Enterprise Training Ltd have requested guidance from the Scottish Further Education Council regarding their proposal to pay directors fees for the 3-year period ended 31 July 2003 totalling £34,000. Dependent on guidance being received this expense may be incurred but has not been accrued due to the uncertainty over the guidance which will be received.