

Enclosure 5



IT University
of Copenhagen

For the attention of the Board

Finance Section. Ref.:
Iben Vitved Bruhn

16 November 2011

Accounts of IT University of Copenhagen as per 30 September 2011

Executive summary:

The accounts at the end of Q3 show a profit of DKK 7.9 million and a forecast for the year of DKK - 0.2 million. The improved result is primarily due to the fact that the income of 2011 is expected to be DKK 10 million higher compared to the prognoses on which the 2011 budget was based. 33 per cent of the improvement is caused by the fact that the income from tuition are expected to reach a higher total, 40 per cent are caused by the fact that the expected income from externally financed projects have been increased, and 28 per cent are caused by the fact that the university has obtained non-recurring income – including repayment of business property tax and energy tax of which the university has complained and obtained repayment from the City of Copenhagen and the Danish Customs and Tax Administration (SKAT). As for costs, the target of reducing costs for external lecturers and examiners was reached faster than estimated, and costs for salaries and wages are expected to be just under DKK 3 million below budget. For the first quarters of the year, the departments were cautious as a result of last year's savings and the atmosphere of crisis which dominates society – including the university sector which has seen dismissals in many universities.

In the forecast of Q3, it is presupposed that a number of the current activities of the university which has been on the planning stage, e.g. language courses and the IDM project, will be carried out in Q4. The uncertainty of the forecast is related to spending on the externally financed projects and the completion of current projects and purchases of the administrative departments.

Accounts of Q3 2011

Income

At the end of Q3 2011, the income of the university amounted to approx. DKK 168 million, corresponding to 99 percent fulfilment of the budget.

The income for 2011 is expected to be DKK 229 million, or 5 per cent higher than the budget of November 2010. The expectations for the income of the entire year has increased by DKK 0.4 million since the forecast issued at the end of Q2. However, fluctuations are expected to occur between the contributions to the total income of the various sources of income.

Income from courses will be further DKK 1.0 million higher in total than assumed in the earlier prognoses as a result of an increase in the earning of full-time equivalents by full-time students. The high activity will not have full effect as the number of student years is decreasing and is expected to be lower than the target of a minimum of 132 student years in 2011. The total income



from courses is expected to be DKK 3.2 million higher for the year in total compared to the 2011 budget.

The law firm "Advokatfirmaet Kirk Larsen" has concluded the case relating to the business property tax of the university. The property valuation for 2008 of the university was reduced by DKK 72 million, and the university will receive a refund of DKK 1.4 million including interest for the years 2010 and 2011.

The university has realised the anticipated basic research funds in the Finance Act and will receive further DKK 0.5 million in supplementary appropriation of 2011 as a result of the coining of funds from the prize pool "Præmieringspuljen" and the matching fund ("matchfonden"). The funds of the prize pool will be awarded to the university in competition with other universities based on growth in external funds from the EU in 2010.

The income realised from research projects was lower than estimated in the budget issued at the end of Q2, and the forecast based on the expectations from the individual externally financed projects will be reduced by DKK 2.5 million in connection with Q3. This adjustment is caused by the fact that it has taken longer than expected to spend the appropriations.

Costs – Wages and Salaries

As for costs, the realised costs for wages and salaries are lower than budgeted with a completion of the budget of 95 per cent. For 2011, the spending is expected to be reduced by DKK 2.9 million compared to the forecast as per the end of Q2 and corresponding to total spending on wages and salaries of DKK 133.7 million exclusive of holiday pay contributions.

As for technical and administrative staff, spending on wages and salaries is expected to remain unaltered since the last quarterly forecast.

Costs for academic staff, external lecturers, external examiners and teaching assistants was reduced by DKK 4.4 million at the end of Q2 and costs for administrative staff was reduced by DKK 0.1 million.

Following Q3, a further downward adjustment of DKK 1.3 million is made for external lecturers and teaching assistants and of 1.6 million for research projects. Thus, we have managed to reduce costs for teaching assistants, external examiners and external lecturers must faster than expected.

There will still be an increase in activities in research projects during Q4, partly as a result of the effect of the appointments made during the second half of the year.

Costs - Operations

The operating costs of Q3 shows reduced spending which corresponds to fulfilment of the budget of 87 per cent. For the entire year, the operating costs have been reduced by DKK 1.4 million compared to the forecast made at the end of Q2. The cost level of Q4 2011 is still expected to be very high compared to the first quarters of the year.

The management pool of DKK 0.4 million has been reduced by DKK 0.2 million for a preliminary analysis in the IDM project, and the budget of the IT department has been increased by an equivalent amount. The project has been commenced, but not concluded and invoiced during Q3. A further DKK 0.2 million on the management budget will be used for staff care and will also be included in the accounts of Q4.

In Finance and Personnel, several costs will be realised in Q4. Thus, a number of invoices for language courses for university staff, testing of applicants for managerial positions in the department, costs for the open night event on 14 October and legal fees in connection with the



property valuation case was received in October. As for projects, costs for seminars and consultancy services for ongoing projects in relation to a preliminary examination of a new printing system and a mini-BI project will be paid in Q4.

Facilities Management carried out maintenance work in Q3, and a number of invoices for this work were received in October. Further, tables, chairs, etc. for a number of rooms, including meeting rooms, replacement of door locks and upgrading of the security system, was purchased in Q4. In addition, Auditorium 1 will be equipped with a video conference system in cooperation with RL.

FM has concluded the tender for purchase of new PCs for IT, and the first supplies and invoices were received in October. Finally, the IT Department has initiated the implementation of Office 2010 and Windows 7. Delays in the Cloud project will not have any consequences for the budget as IT has procured options for the purchase of further IT equipment, and thus investments will be substituted for further IT equipment planned for 2012 if it is not possible to carry out the Cloud project in 2011.

The operational budget of the department will be reduced by DKK 0.25 million, and spending of the "gadget funds" of the PhD's was very low which has resulted in a reduction of the budget of DKK 0.4 million. The project adjustment will be reduced by DKK 0.1 million. Finally the budget for operational costs for the projects will be reduced by DKK 0.6 million.

The Result

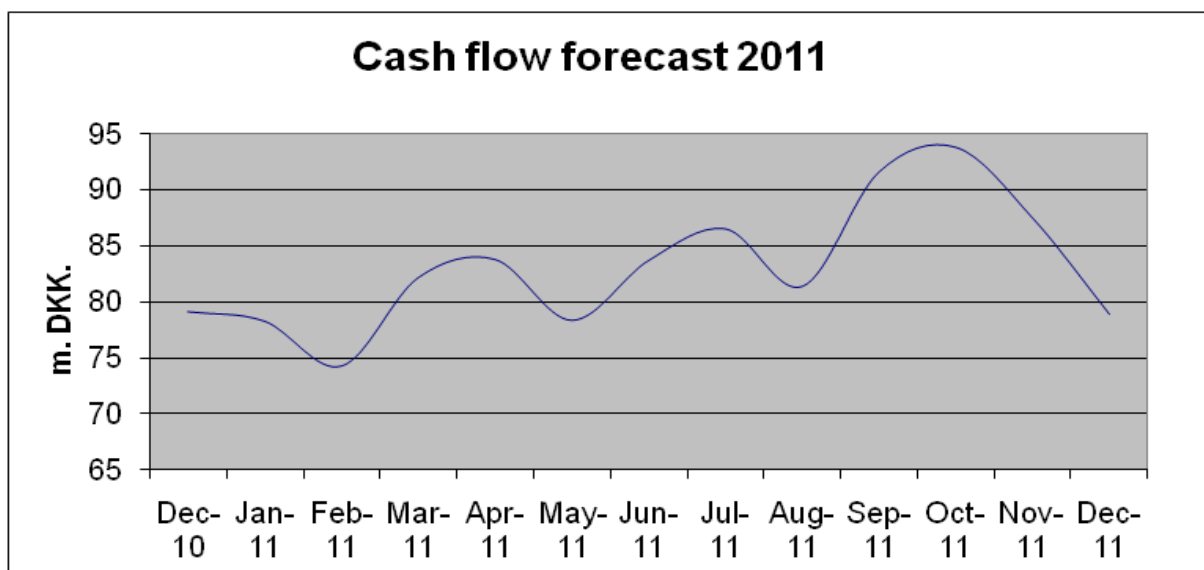
The result at the end of Q3 may be attributed to the fact that the income has been realised while only 92 per cent of the costs have been realised.

Cash Flow

The cash flow of IT University of Copenhagen, i.e. the ability of the university to meet its obligations is very good, cf. Figure A below.

The increase in liquid funds in June-July was a result of receipt of payment of project funds for the entire year from the Danish Agency for Science, Technology and Innovation. In September, IT University of Copenhagen invoices part time education. During the last month of the year, e.g. administration of wages and salaries by CBS and education at EBUSS is paid.

Figure A: The Actual Liquid Funds of IT University of Copenhagen and Forecast for 2011





Forecast 2011

Table 1 states the forecast of the university for the entire year after 3Q 2011. The predicted operating result indicates a loss of approx. DKK 0.2 million.

Table 1: Total Q3, forecast 3, and budget '11 (DKK 1,000)

Income	Total Q3	Forecast 3	Budget '11
Government Grants (basic funding)	63,561	84,750	86,062
Tuition (government and students)	80,782	111,463	108,011
Government Grants - Globalisation Funds	503	500	0
Research Grants (government and other sources)	15,146	22,264	18,205
Other income including rent	5,610	7,216	6,265
Extraordinary income	2,372	2,372	0
Total income	167,974	228,565	218,543
Costs	Total Q3	Forecast 3	Budget '11
Wages and salaries			
Management	3,114	4,205	4,149
Communications Department	3,597	4,843	4,711
Department of Finance and Personnel	9,427	13,246	12,523
IT Department	7,221	9,751	9,696
Facilities management	3,362	4,526	5,241
Study administration	8,815	12,235	11,970
Research and Learning Support	1,951	2,571	2,511
Faculty and study boards	52,258	71,471	75,847
Research projects	8,232	12,196	11,217
Total wages and salaries	97,977	135,044	137,865
Other operations			
Management	584	1,029	1,459
Communications Department	2,473	3,191	3,191
Library	1,144	1,578	1,578
Department of Finance and Personnel	3,991	7,015	6,613
IT Department	3,128	7,654	5,654
Facilities management	37,460	53,780	52,690
Study administration	7,772	10,321	10,682
Research and Learning Support	252	770	795
Faculty and study boards	3,403	5,267	5,925
Research projects	1,808	3,156	2,056
Total other operations	62,015	93,761	90,643
Result	7,982	-240	-9,965

Overview of forecast 3 2011 vs. budget 2011

In 2010, income did not increase as expected, but 2011 will be marked by significant increases in income. Part of the income is a result of the fact that the level of activity in the courses has exceeded that stipulated in the budget.

Some income could not be included in connection with the 2011 budget, and the majority of this is extraordinary income which will not be able to be realised next year.

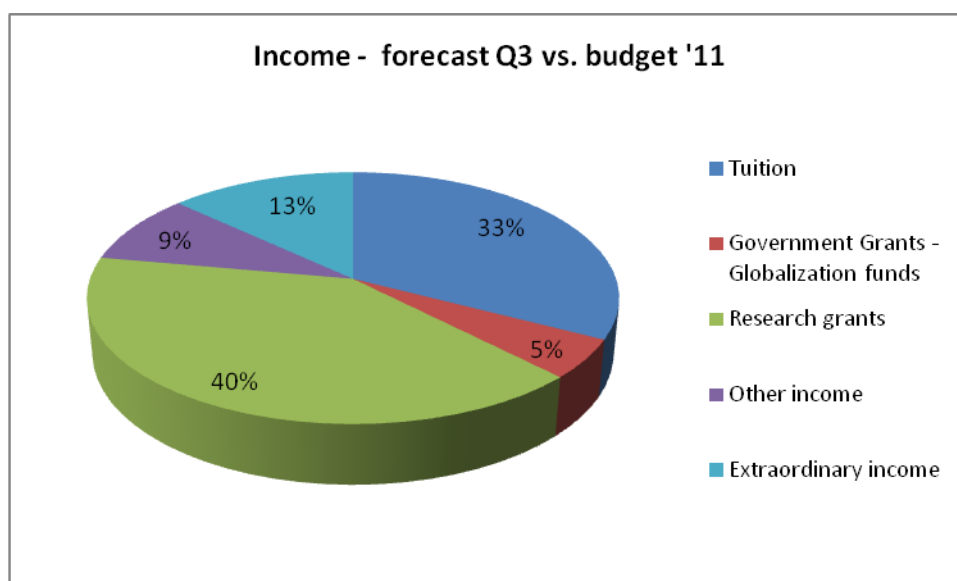


Table C: Overview of forecast 2011 vs. 2011 budget

DKK 1,000	Forecast 3	Forecast 2	Budget 2011
Income	228,565	228,204	218,543
Wages and salaries incl. holiday pay	135,044	137,301	137,865
Other operations incl. depreciation	93,761	95,163	90,643
Costs	228,805	232,464	228,508
Result	-0,239	-4,260	-9,965
Equity	36,851	32,591	26,886

As for income, the universities expect income higher than the budgeted DKK 10 million, corresponding to an increase in income of 4.6 per cent, cf. table C. The net increase in income is primarily caused by three factors:

1. An increase in the income from courses of the university which was caused by an increase in course activities in the master and bachelor courses in 2011. This is a result of a slightly higher number of students accepted in 2011 and a higher production of student full-year equivalents.
2. A marked increase in extraordinary income.
3. Higher income from external research projects which, however, still include some uncertainty as to the final income.

The total spending on wages and salaries is expected to be DKK 2.3 million less than the budget amount.

The 2011 forecast states, that the equity of the university will be around DKK 37 million by the end of 2011, corresponding to 16 per cent of turnover.



Uncertainties in Relation to the Forecast

This forecast was based on spending during Q3 and dialogue with department management on planned activities for Q4 2011. The planned projects, tenders and purchases are sufficiently concrete and advanced for the finance section to assess that the spending of Q4 can be realised.

The uncertainty of the budget forecast is related to the externally financed research projects, spending on wages and salaries and the completion of ongoing projects and purchases for the administrative departments in particular. Delays in these two areas may improve the result of 2011 with a further couple of million DKK. Finally, a new initiative for marketing of part-time courses is being considered, and a new telecommunications agreement is being negotiated.

As for income, small adjustments of income from completion bonus and operations covered by income should be expected. A specific uncertainty is related to the current negotiations on transfer of research grants from the University of Lund in connection with the engagement of a grant holder to IT University of Copenhagen. If this is implemented, which is likely, income and the spending on wages and salaries on externally financed projects will increase, and the spending on wages and salaries in the department will decrease by up to DKK 1.4 million including overheads. Finally, IT University of Copenhagen is still awaiting a decision on the reintroduction of VAT administration on food served at meetings.

Conclusion

Based on the accounts of Q3 2011 and the forecast for the rest of 2011, it may be concluded that the cash flow of IT University of Copenhagen is very good.

Based on the accounts of Q3 2011 and the forecast for the rest of the year, it can be determined that the anticipated result is significantly better than the 2011 budget adopted by the board of directors in November 2010. As mentioned, some uncertainties still exist which may influence the result of 2011.