

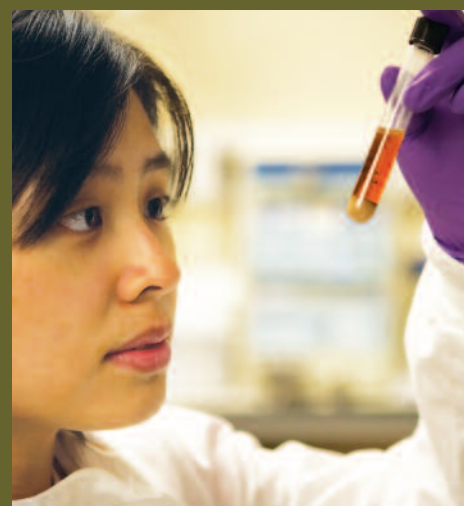


UNIVERSITY OF
BIRMINGHAM

Annual Report and Accounts 2006

It is extremely encouraging to see philanthropy flourishing as more people choose tangibly to demonstrate how they value their Birmingham experience.

Professor Michael Sterling, Vice-Chancellor and Principal



Annual accounts

The accounts for the year ended 31 July 2006

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Report of the Treasurer

I am delighted to be able to present my first report of the Treasurer, a role which I assume with the University in a strong financial position, notwithstanding a number of challenges it faces.

The University continues to measure and monitor its financial viability by reference to four key indicators:

- generating an adequate and recurrent surplus
- using University reserves for investment purposes
- ensuring sustained investment in facilities
- maintaining adequate cash resources for working capital purposes

During the last few years, the University has demonstrated its ability to maintain a financially sustainable position:-

	2005/06	Restated 2004/05	2003/04
	£m	£m	£m
Income	354.9	334.4	309.7
Expenditure	338.8	314.4	294.0
Operating surplus	<u>16.1</u>	<u>20.0</u>	<u>15.7</u>
Available reserves	89.9	84.4	66.9
Investment in facilities	54.6	51.0	59.1
Cash and Investments	17.2	24.5	17.9
Loans and Leases	(1.0)	(1.4)	(32.7)

The 2004/05 figures have been re-stated, following the full implementation of FRS17. The impact has been to reduce the surplus in 2004/05 by £0.834m.

The University's income has increased by 6% in total, with growth in excess of inflation across all major income sources, although remaining significantly dependent upon Funding Council grants.

By contrast, expenditure has grown by 8%, having a direct impact on the operating surplus of £4m.

Around 58% of the University's expenditure continues to be committed to pay costs and these have risen by 7% in 2005/06. In addition to annual pay awards of 3%, the University has implemented the pay framework for academic and related staff which impacts from 1 January 2006, continued with the introduction of the clinical consultant pay structure and, in common with previous years, made further strides in improving the position of the lower paid members of our staff.

The introduction of the clinical consultant contract has resulted in significant levels of back pay for some staff. The impact of this is shown in the somewhat extended bands as disclosed in the table of remuneration of higher paid staff in note 6 to the accounts.

The annual cost of using the University's estate and facilities, measured by the depreciation charges, was £30.7m or 9.1% of total expenditure. This will continue to rise as the University delivers its ongoing and extensive capital programme.

Other operating expenses have increased by £13.6m or 13.5% from 2004/05. The major contributions to this increase have been rising energy prices and increases in student awards for maintenance and fees.

Interest payable has decreased to almost zero and reflects the effect of redeeming leases and other long-term debt early in the 2004/05 financial year and referred to in previous Reports of the Treasurer, by my predecessor.

The 2005/06 operating surplus of £16.1m is in line with predictions reported to Council throughout the year. This result, coupled with the good performance in earlier years, will ensure that the University is well placed to continue to invest in its future and be able to respond to challenges and opportunities that will arise from the introduction of the new fees regime and the forthcoming Research Assessment Exercise.

Almost £10m of the 2005/06 surplus has been committed to capital and £5.5m has been added to available reserves.

Report of the Treasurer

The need for continual investment in the University's buildings, facilities and capital infrastructure is well understood and vital if the campus is to remain attractive to students, staff and commercial partners in the future. The investment in 2005/06 was £54.6m, which embraced major spends in new facilities for Academic Schools, but also continued to address some of the backlog infrastructure issues that seem ever present in an estate with the age and profile of Birmingham.

Ongoing good stewardship of the University's cash and working capital remains a top priority. When the long-term debt was redeemed in 2004/05, a revolving credit facility was arranged with the bank to support cash flow at particular points during each year. Due to constant and vigilant management of cash and debtors, it has not yet been necessary to draw upon the facility at all, despite the substantial investment made into the Birmingham Pension and Assurance Scheme (BPAS) highlighted below.

The endowments and long-term funds held by the University at 31 July 2006 are significant at £71.2m. The investment return was 8.87% this year, compared with 15.8% last year, generating income of £2.359m to support posts, scholarships and prizes. During 2005/06, further changes to the structure of the investment portfolio were implemented to reduce the risk without severely affecting the returns required to support expenditure commitments.

The University's consolidated financial statements, though demonstrating considerable strength, now reveal net current liabilities of £15.8m compared with £5.9m in the re-stated accounts for 2004/05. This has arisen following a number of pension-related issues referred to below.

The impact of the pensions accounting standard FRS17 has been commented on for a number of years. This year the financial impact has been fully recognised and there has been a prior year adjustment to the accounts. The effect is summarised in note 22. One of the consequences of this was a reduction in the net assets of £11.1m, being the adjustment for the SSAP 24 pre-payment, which coupled with the cash contribution of £19.6m to BPAS (mentioned below), has created the net current liabilities position.

Last year's report referred to the triennial actuarial valuation of the Birmingham Pension and Assurance Scheme (BPAS). The final result was a deficit of £63.4m. Following extensive consultation with the Trustees of the Scheme, the Trade Unions and members of the Scheme, the University agreed to contribute £19.6m directly into the scheme in December 2005, alongside the introduction of increased contributions from employees and changes in the future benefit structure to take effect from 1 August 2006. The next valuation is due on 31 March 2007 and the funding position will be considered later in 2007 when the valuation results are available. This will continue to be an area of focus.

Since the year-end, the University has concluded a substantial property transaction, in line with the student residences strategy. In disposing of three sites of self-catering residential accommodation, the University has raised approximately £47m. A large proportion of that sum will be re-invested in the redevelopment of Mason Hall, which will contain 896 self-catering places when complete in 2008. The impact of these transactions will be dealt with in the 2006/07 financial statements.

Looking forward, challenges are ever present for the University. Our initial assessment suggests that the introduction of the new fees regime does not appear to have impacted upon the recruitment of home undergraduate students in 2006, but this cannot be guaranteed into the future. There may also be additional challenges when the Funding Council announces the results of its consultation on the funding of teaching. Of equal significance will be the outcome of the Research Assessment Exercise 2008 and how future assessments of research quality will be made.

A continual strategy of investment in staff and facilities must prevail if the University's teaching and research strength is to be maintained. The strength evidenced in the financial statements for 2005/06 and the foundation provided in earlier years will position the University very well to address the challenges presented to it.

Michael Gilbert BSc FCA
Treasurer

20 December 2006

Corporate Governance

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the Governance procedures applied by the University's Council.

The University endeavours to conduct business:

- i) in accordance with the seven principles identified by the Nolan Committee on standards in public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership),

AND

- ii) in full accordance with the guidance to the University which has been provided by the Committee of University Chairmen in its 'Guide for Members of Governing Bodies of Universities in England and Wales'.

The Council welcomes the Combined Code on Corporate Governance issued by the London Stock Exchange, particularly as the University is a significant investor in a wide range of listed companies. The University is committed to exhibiting best practice in all aspects of corporate governance and this summary describes the manner in which the University is moving to apply the principles set out in section 1 of the Combined Code.

Summary of the University's Structure of Corporate Governance

Following a governance review, the University's Council now comprises 24 lay and academic persons appointed under the Statutes of the University, the majority of whom are non-executive. The roles of Chairman and Deputy Chairman of the Council are separate from the role of the University's Chief Executive, the Vice-Chancellor and Principal. The matters specifically referred to the Council for decision are set out in the Statutes of the University; by custom and under the Financial Memorandum with the Higher Education Funding Council for England, the Council holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and its subsidiary companies.

The Council meets at least four times a year and has several Committees including a Strategy, Planning and Resources Committee, an Audit Committee, a Council Membership Committee and a Remuneration Committee. These Committees are formally constituted with terms of reference and with the exception of the Strategy, Planning and Resources Committee they comprise mainly lay members of Council, one of whom is the Chair. The Strategy, Planning and Resources Committee comprises both academic and lay members of Council, and is chaired by the Vice-Chancellor and Principal.

The Strategy, Planning and Resources Committee recommends to Council a corporate plan for the University, embracing all matters of a long-term, medium-term and short-term nature. It brings together academic, financial and physical planning and monitors the effectiveness of all such plans.

Corporate Governance (continued)

The Audit Committee meets three times annually. The Committee reviews the effectiveness of the University's financial and other control systems, satisfies itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness and advises the Council on risk management and the effectiveness of the accounting procedures. It reviews the external auditor's report and the scope and effectiveness of the internal auditor's work and advises Council on the appointment of both the Internal and External Auditor. It receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence with the regulatory requirements and reviews the University's annual financial statements together with the accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee does meet with the Internal and External Auditors on their own for independent discussions.

The Remuneration Committee meets annually and comprises the Pro-Chancellor, the Treasurer, one other lay member of Council and the Vice-Chancellor and Principal. It determines the annual remuneration of professorial and senior administrative staff, having sought comparative information within the University sector and elsewhere.

The Council Membership Committee considers nominations for lay vacancies in the Council membership under the relevant ordinance.

In addition, the Senate, under the Statutes, is responsible to the Council for regulating and directing the academic work of the University in teaching, examining and research for the award of all Degrees, Diplomas, Certificates and other academic distinctions of the University and for the discipline (whether intra-mural or extra-mural) of the students of the University and for the enforcement of such discipline.

The Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in article 9 of the Charter of Incorporation, Section 25 of the Statutes of the University and the Financial Memorandum with the HEFCE.

Statement of Internal Control

As the governing body of the University of Birmingham, we have responsibility for ensuring a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Charter and statutes and the financial memorandum with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the extent and nature of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2006 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

Corporate Governance (continued)

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- Council meet a minimum of four times a year to consider the plans and strategic direction of the institution
- Council receive periodic reports from the Audit Committee concerning internal control, and we require regular reports from managers, either directly or through the Strategy, Planning and Resources Committee, on the steps they are taking to manage risks in their area of responsibility, including progress reports on key projects
- Council have requested the Audit Committee to provide oversight of the risk management process. This provides a formal reporting and appraisal mechanism, in addition to the reports noted above
- The Audit Committee receives regular reports from the Head of Internal Audit, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement
- A regular formal review takes place to identify and where necessary to revise and update the record of risks facing the institution
- An organisation wide risk register is maintained
- Heads of budget centres have received guidance on how to implement risk management in their area of responsibility and how to embed risk management within their normal management practices
- A system of key performance indicators has been developed for the risks contained in the risk register, and residual risks are monitored against these regularly
- Reports are received from budget holders, department heads and project managers on internal control activities.

Our review of the effectiveness of the system of internal control is informed by the Internal Audit Service, which operates to standards defined in the HEFCE Audit Code of Practice, and which was last reviewed for effectiveness by the HEFCE Audit Service in May 2006.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers of the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

W J Glover
Pro-Chancellor

20 December 2006

Council who's who

October 2005 – September 2006

1

Professor Jeff Bale: School of Biosciences.

2

Dr Peter Borchers: Physicist.

3

Mr Dave Hartnett: Director-General,
HM Revenue and Customs.

4

Ms Christine McElroy: Partner, Bevan Brittan.

5

Mrs Marcia Davies: Regional Director
(West and East Midlands), Health and
Safety Executive.

6

Mr Roger Dancey: Deputy Pro-Chancellor.

7

Mr Mike Gilbert: Chartered Accountant; Senior
Assurance Partner. PriceWaterhouseCoopers
(in the Midlands.)

8

Mr Richard Angell: President,
Guild of Students.

9

Mr David Brooks: Former Chairman and
Managing Director, Cadbury Ltd. Chairman,
Mercian Housing Association Ltd.

10

Ben Ferguson: Vice-President (Education),
Guild of Students.

11

Mrs Lesley Payne: Head of Department and
Sixth Form Tutor, St Paul's School for Girls,
Birmingham. Life Member of Court.

12

Dr John Craggs: Managing Director
of a Midland-based bus and coach
operating company.

13

Dr Jagjit Singh Taunque: Life member
Birmingham Inter-faith Council, Trustee,
Birmingham Council of Faiths, Patron
Birmingham International Council.

14

Dr Jonathan Nicholls: Registrar and Secretary.

15

Rt Rev Mark Santer: Former Bishop of
Birmingham. Non-executive Director, University
Hospital, Birmingham NHS Foundation Trust.

16

Professor Michael Clarke: Vice-Principal.

17

Professor Michael Sterling: Vice-Chancellor.

18

Lord Hannay of Chiswick: Pro-Chancellor.

19

Mr Jim Glover, Treasurer.

Members of Council for 2005–6 not pictured.

- Mr Guy Harvey-Samuel: HSBC Hong Kong
- Councillor David Roy: Vesey Ward,
Birmingham City Council
- Mr Peter Ullathorne: Financial Director,
William King
- Professor Robert Curtis
(Mathematics and Statistics)
- Professor William Doe (Medicine)
- Professor Jonathan Michie
(Business School)
- Professor Colin Thomas (Engineering)





Responsibilities of the Council

In accordance with the Royal Charter, the Council of the University of Birmingham is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit, cash flows, and total recognised gains and losses for that year.

In preparation of the financial statements, the Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- it is satisfied that the University 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 Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the Training and Development Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with these bodies and any other conditions which these bodies may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

W J Glover

Pro-Chancellor

20 December 2006

Report of the Auditors

Independent auditors' report to the Council of the University of Birmingham

We have audited the Group and University financial statements (the 'financial statements') of the University of Birmingham for the year ended 31 July 2006 which comprise the primary statements such as the Group and University Income and Expenditure Account, the Group and University Balance Sheets, the Group and University Cash Flow Statement, the Group and University statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Council and Auditors

The University's Council responsibilities for preparing the Treasurer's Report and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 43. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Training and Development Agency for Schools. We also report to you whether in our opinion the Treasurer's Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Treasurer's Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. 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 University's Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

Report of the Auditors (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2006 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2006 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2006 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

KPMG LLP

20 December 2006

Chartered Accountants

Registered Auditor

Statement of Principal Accounting Policies and Estimation Techniques

The Accounts for the year ended 31 July 2006

1. General

The Financial Statements have been prepared on the historical cost accounting basis, modified for the revaluation of certain fixed assets and investments, and in accordance with the Statement of Recommended Practice (SORP) applicable to Higher and Further Education Institutions and applicable Accounting Standards. They conform to the guidance published by the Higher Education Council for England.

In accordance with FRS 18 these accounting policies have been reviewed by the University's Council and are considered appropriate to the University's activities.

2. Land and Buildings

Land and Buildings are stated at cost, or at valuation if acquired before 31 July 1998.

The University depreciates its buildings on the basis of:

Academic and administrative buildings	– 50 years
Residential and commercial buildings	– 30 years

The costs of renovating or converting buildings are capitalised and depreciated in accordance with the above basis.

Heritage buildings are maintained in such a state that their residual values are not materially different from their book values and hence a nil depreciation charge is made.

Land is not depreciated.

Major repairs and refurbishments are capitalised where they substantially add to the total area of the building, prolong its useful life or enhance the economic benefits of the building, and are depreciated over 10 years.

Where buildings are acquired with the aid of specific grants they are capitalised and the related grants are credited to deferred grants. The deferred capital grants are released to the Income and Expenditure Account over the useful economic life of the asset.

All buildings are regularly reviewed for indications of impairment. Where there is an impairment, the difference between the assessed recoverable value of the building and its written down cost is charged to the Income and Expenditure Account.

The Transitional rules in FRS 15 have been applied and the book values at implementation have been retained.

3. Equipment

All equipment is capitalised at cost and is depreciated over three years on a straight-line basis.

Where equipment is acquired with the aid of specific grants, the grant is treated as a deferred capital grant and released to the Income and Expenditure Account over the expected useful economic life of the equipment.

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2006

4. Investments

Fixed Asset Investments are included in the Balance Sheet at market value. Increases/decreases in value arising on the revaluation of Fixed Asset Investments are carried to the Revaluation Reserve. Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income and Expenditure Account to the extent it is not covered by a revaluation surplus.

Endowment Asset Investments are carried at market value. Such investments held at the previous year end, and carried at market value at that date, may be sold during the year. This crystallizes the value and any difference between the opening market value and the sale proceeds represents a revaluation movement. Consequently, the financial statements do not distinguish between the valuation adjustment relating to sales and those relating to continuing holdings as they are together treated as changes in the values of the investment portfolio.

Current Asset Investments are included at the lower of cost and net realisable value.

5. Stocks

Stocks for building maintenance and for resale are included at the lower of cost and net realisable value.

Consumable items are charged directly to the Income and Expenditure Account.

6. Cash Flows and Liquid Resources

Cash flows comprise increases and decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Liquid Resources comprise assets which are readily disposable. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

7. Repairs and Maintenance

The University has established a long-term plan for repairs and maintenance which ensures that the buildings remain in their current state of repair. The costs of repairs and maintenance are charged to the Income and Expenditure Account as incurred, unless they fulfil the capitalisation criteria described in paragraph 2.

8. Pensions

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and employees.

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2006

The two principal pension schemes for the University's staff are the Universities' Superannuation Scheme (USS) for academic and academic-related staff, and the University of Birmingham Pension and Assurance Scheme (BPAS) for other staff. The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme.

The University is unable to identify its share of the underlying assets and liabilities of the USS and therefore accounts for the scheme as if it were a defined contribution scheme. The amount charged to income and expenditure represents the contributions payable in the accounting period.

During the year the University has adopted accounting standard FRS17 in accounting for BPAS. Prior year comparatives have been re-stated where appropriate. The difference between the fair value of the assets held in BPAS and the scheme's liabilities is recognised in the University's balance sheet as a pension scheme asset or liability as appropriate. Changes in the BPAS scheme asset or liability arising from factors other than cash contribution by the University are charged to income and expenditure or to the statement of total recognised gains and losses in accordance with FRS17 'Retirement Benefits'.

9. Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the university is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. Except for its trading activities and certain research and consultancy activities, the University cannot recover the Value Added Tax suffered on its expenditure and this cost is included under the various related expenditure heads.

The University's subsidiary companies are subject to corporation tax and value added tax in the same way as any commercial organisation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

10. University Companies

The results of the University's subsidiary undertakings have been consolidated in the financial statements and details of interests in these subsidiary undertakings are provided in note 34 to the Accounts.

11. Leased Assets

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the income and expenditure on the same basis as above. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income and expenditure account over the period of the lease.

All other leases are operating leases and the annual rentals payable are charged to the Income and Expenditure Account

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2006

12. Merit Awards

Amounts paid in respect of Merit Awards on behalf of Health and Hospital Authorities and recharged to those Authorities, are included within the Income and Expenditure Account.

13. Guild of Students

The financial statements for the University of Birmingham Guild of Students have not been consolidated, as the University has no control or dominant influence over policy decisions. The contribution made by the University to the Guild is shown in note 8 and the aggregate capital and reserves and surplus for the year to 31 July 2006 are shown in note 35.

14. Recognition of Income

The recurrent grant from the Higher Education Funding Council for England represents the funding allocation, which is attributable to the current financial year and is credited direct to the Income and Expenditure Account.

Grants which are applied to acquire tangible fixed assets are credited to deferred grants and released to the Income and Expenditure Account over the estimated useful lives of the relevant assets.

Income from Specific Endowments and Donations, other Government Grants and other Specific Grants and Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments. Income from other services rendered is included to the extent of completion of the contract or services concerned and is measured at the fair value of the consideration receivable. All income from short-term deposits and general endowment asset investments is credited to the Income and Expenditure Account on a receivable basis.

Tuition fees represent student fees received and receivable attributable to the current accounting period.

The University acts as an agent in the collection and payment of training bursaries from the Training and Development Agency and of Learning Support Funds from HEFCE. Related payments received from Health Authorities, the Training and Development Agency and HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in note 32. Income from short term deposits is accrued up to the balance sheet date.

15. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, when it is probable that a transfer of economic benefit will be incurred, and this transfer can be reliably estimated.

16. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Consolidated Income and Expenditure Account

For the year ended 31 July 2006

	<i>Note</i>	2005/6 £000	2004/5 £000 Re-stated
Income			
Funding Council Grants	1	122,465	114,213
Academic Fees and Support Grants	2	69,860	66,170
Research Grants and Contracts	3	76,736	73,609
Other Operating Income	4	81,323	76,558
Endowment Income and Interest Receivable	5	4,559	3,809
Total Income		<u>354,943</u>	<u>334,359</u>
Expenditure			
Staff Costs	6	194,240	181,735
Depreciation	8	30,704	29,668
Other Operating Expenses	8	113,706	100,101
Interest Payable	7	136	2,877
Total Expenditure	8	<u>338,786</u>	<u>314,381</u>
Operating Surplus		16,157	19,978
Exceptional Items	9	—	2,118
Surplus for the year before taxation		16,157	22,096
Corporation Tax	10	(54)	7
Surplus for the Year after Taxation		16,103	22,103
Minority Interest		(93)	(74)
Surplus after minority interest and taxation		16,010	22,029
Transfers in respect of Specific Endowments		(224)	54
Surplus for the Year		<u>15,786</u>	<u>22,083</u>
There were no discontinued operations during 2005/6 or 2004/5.			
Note of Historical Cost Surpluses and Deficits			
Surplus for the year		15,786	22,083
Difference between Historical Cost Depreciation and the actual charge based on the revalued amount.		688	688
Historical Cost Surplus		<u>16,474</u>	<u>22,771</u>

Balance Sheets

For the year ended 31 July 2006

		University		Consolidated	
	Note	2006	2005	2006	2005
			Re-stated		Re-stated
		£000	£000	£000	£000
Fixed Assets					
Tangible Assets	11	457,458	432,871	484,539	460,649
Investments	12	11,086	10,304	10,730	9,948
		468,544	443,175	495,269	470,597
Endowment Asset Investments	13	71,292	67,804	71,292	67,804
Current Assets					
Stocks and stores in hand		603	600	706	715
Debtors and prepayments	14	42,569	46,003	36,449	39,252
Investments		12,560	23,104	12,560	23,104
Cash at bank and in hand		3,667	165	4,672	1,348
		59,399	69,872	54,387	64,419
Creditors:					
Amounts falling due within one year	15	(68,879)	(68,748)	(70,145)	(70,308)
Net Current Assets/(Liabilities)		(9,480)	1,124	(15,758)	(5,889)
Total Assets less Current Liabilities		530,356	512,103	550,803	532,512
Creditors:					
Amounts falling due after more than one year	16	(1,701)	(2,141)	(1,032)	(1,379)
Provisions for Liabilities and Charges	17	(476)	(253)	(2,157)	(1,932)
Net Assets excluding Pension Fund Liabilities		528,179	509,709	547,614	529,201
Pension Fund Liability	31	(44,200)	(53,700)	(44,200)	(53,700)
Total Net Assets		483,979	456,009	503,414	475,501

Balance Sheets (continued)

For the year ended 31 July 2006

		University		Consolidated	
	Note	2006	2005	2006	2005
			Re-stated		Re-stated
		£000	£000	£000	£000
Represented by:					
Deferred Capital Grants	18	105,628	90,670	106,452	91,533
Endowments					
Specific	19	62,565	59,611	62,565	59,611
General	19	8,727	8,193	8,727	8,193
		<u>71,292</u>	<u>67,804</u>	<u>71,292</u>	<u>67,804</u>
Reserves					
Revaluation Reserve	20	49,634	49,566	50,107	50,039
Income and Expenditure Account	21	257,425	247,969	273,424	264,071
Minority Interest		<u>—</u>	<u>—</u>	<u>2,139</u>	<u>2,054</u>
		<u>307,059</u>	<u>297,535</u>	<u>325,670</u>	<u>316,164</u>
Total Funds		<u>483,979</u>	<u>456,009</u>	<u>503,414</u>	<u>475,501</u>

The financial statements on pages 46 to 73 were approved by the Council on 20 December 2006 and signed on its behalf by:

Professor Michael Sterling, Vice-Chancellor and Principal

Michael Gilbert, Treasurer

Consolidated Cash Flow Statement

For the year ended 31 July 2006

	<i>Note</i>	2005/6 £000	2004/5 Re-stated £000
Net Cash Inflow from Operating Activities	26	15,405	38,083
Returns on Investments and Servicing of Finance	27	4,423	932
Taxation		(30)	(51)
Capital Expenditure and Financial Investment	28	<u>(2,902)</u>	<u>(1,407)</u>
Net Cash Inflow before Financing	30	16,896	37,557
Financing	29	(457)	(30,869)
Increase in Cash in the year	30	<u>16,439</u>	<u>6,688</u>
Reconciliation of Net Cash Flow to Movement in Net Funds			
Increase in Cash in the year		16,439	6,688
New Leases/Loans	29	–	(4)
Repayment of Debt	29	457	30,873
Increase in Net Funds		<u>16,896</u>	<u>37,557</u>
Net Funds / (Debt) at 1 August 2005		25,615	(11,942)
Net Funds at 31 July 2006	30	<u>42,511</u>	<u>25,615</u>

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 July 2006

	<i>Note</i>	2005/6	2004/5
		£000	Re-stated £000
Surplus after Depreciation of Assets		15,786	22,083
Appreciation of Endowment Asset Investments	19	3,655	7,506
Revaluation of Fixed Asset Investments	20	756	1,123
Endowment Income Transfer from Accumulated Reserve		224	(54)
New Endowments	19	388	452
Actuarial Gain / (Loss) on Pension Fund	31	(7,900)	(13,400)
Total Recognised Gains Relating to the Year		<u>12,909</u>	<u>17,710</u>
Prior year adjustment		(64,771)	–
Total recognised gains since the last period		<u>(51,862)</u>	<u>17,710</u>

Statement of Reconciliation of Reserves and Endowments

Opening Reserves and Endowments – as previously published	446,685	414,741
Prior year adjustment	<u>(64,771)</u>	<u>(50,537)</u>
Opening Reserves and Endowments – re-stated	381,914	364,204
Total recognised gains for the year	<u>12,909</u>	<u>17,710</u>
Closing Reserves and Endowments	<u>394,823</u>	<u>381,914</u>

Notes to the Accounts

For the year ended 31 July 2006

	2005/6 £000	2004/5 £000
1. Funding Council Grants		
Recurrent Grant from HEFCE	107,527	97,791
Specific Grants from HEFCE	4,840	8,688
Recurrent Grant from Training and Development Agency	2,345	2,193
Specific Grants from Training and Development Agency	346	139
Deferred Capital Grants Released in Year: Equipment and Buildings	7,407	5,402
	<u>122,465</u>	<u>114,213</u>

2. Academic Fees and Support Grants

Full-time students	27,378	25,937
Full-time students charged overseas and other fees	19,124	19,295
Part-time Courses – credit bearing	20,138	17,155
– non credit bearing	2,397	2,916
Research, Training and Support Grants	<u>823</u>	<u>867</u>
	<u>69,860</u>	<u>66,170</u>

3. Research Grants and Contracts

Office of Science and Technology Research Councils	27,820	24,043
UK-Based Charities	18,939	19,639
UK Central/Local Government, Health and Hospital Authorities	16,419	17,819
UK Industry, Commerce and Public Corporations	6,720	6,281
EU Government Bodies	3,655	3,625
EU Other	472	404
Other Overseas	1,738	1,019
Other Sources	<u>973</u>	<u>779</u>
	<u>76,736</u>	<u>73,609</u>

Income from research grants and contracts includes £3,558k (2004/5 £5,802k) in respect of deferred capital grants released.

Notes to the Accounts (continued)

For the year ended 31 July 2006

2005/6	2004/5
£000	£000
	Re-stated

4. Other Operating Income

Residences, Catering and Conferences	27,031	25,623
Other Services Rendered	20,521	17,092
Externally Funded Posts – Health Authorities	10,847	11,940
– Other Sources	1,154	988
Self-Financing Teaching Activities	3,410	4,790
Rented Properties and University Centre Lettings	975	1,078
Day Nursery	1,192	1,056
Release of Deferred Capital Grants	1,397	1,484
Barber Trust	960	938
VAT Refund	2,188	2,186
Other Income	11,648	9,383
	<u>81,323</u>	<u>76,558</u>

5. Endowment Income and Interest Receivable

Income from Specific Endowment Investments (Note 19)	2,061	1,689
Income from General Endowment Investments (Note 19)	298	290
Income from Short Term Investments	1,725	1,506
Other Investment Income	475	324
	<u>4,559</u>	<u>3,809</u>

6. Staff

Staff Costs:		
Wages and Salaries	159,179	150,026
Social Security Costs	14,129	12,642
Other Pension Costs (Note 31)	20,932	19,067
	<u>194,240</u>	<u>181,735</u>
Emoluments of the Vice-Chancellor:		
Salary and benefits	250	235
Pension contributions to USS	126	88
	<u>376</u>	<u>323</u>

The emoluments shown are in respect of Professor Michael Sterling and have been independently determined by the Remuneration Committee of the Council and reviewed according to performance. The increase in pension contributions is in line with the Council's succession planning decisions. This year the Vice-Chancellor is not the highest paid individual due to the payment of back pay arising from the implementation of the clinical consultants' contract.

Notes to the Accounts (continued)

For the year ended 31 July 2005

	2005/6 Number	2004/5 Number
6. Staff – continued		
Average staff numbers by major category:		
Academic and related/clinical	3,180	2,969
Other, including technical, clerical and manual	2,692	2,727
	<u>5,872</u>	<u>5,696</u>

Remuneration of other higher paid staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are included in the University's Income and Expenditure Account:

£70,001 – £80,000	62	60
£80,001 – £90,000	24	24
£90,001 – £100,000	19	20
£100,001 – £110,000	13	16
£110,001 – £120,000	10	7
£120,001 – £130,000	12	10
£130,001 – £140,000	8	7
£140,001 – £150,000	4	7
£150,001 – £160,000	6	1
£160,001 – £170,000	4	–
£170,001 – £180,000	6	–
£180,001 – £190,000	–	1
£190,001 – £200,000	5	–
£200,001 – £210,000	3	–
£210,001 – £220,000	2	–
£220,001 – £230,000	2	–
£230,001 – £240,000	2	1
£240,001 – £250,000	2	–
£250,001 – £260,000	1	–

The profile of higher paid staff in 2005/6 is different from 2004/5 due to the implementation of the clinical consultants' contract, which resulted in significant back payments in 2005/6.

7. Interest Payable

	2005/6 £000	2004/5 Re-stated £000
Loans within five years		
Finance Leases	–	1,786
Loan Interest	136	591
BPAS Finance cost	–	500
	<u>136</u>	<u>2,877</u>

Notes to the Accounts (continued)

For the year ended 31 July 2006

8. Analysis of 2005/6 Expenditure by Activity

	Staff Costs	Depreciation	Other Operating Expenses	Interest Payable	Total 2005/6	Total 2004/5 Re-stated
	£000	£000	£000	£000	£000	£000
Academic Schools						
Core Teaching and Research	100,977	6,613	30,226	–	137,816	125,695
Research Grants and Contracts	38,368	3,689	18,548	–	60,605	60,370
Other Trading	3,909	77	5,770	–	9,756	9,523
	<u>143,254</u>	<u>10,379</u>	<u>54,544</u>	<u>–</u>	<u>208,177</u>	<u>195,588</u>
Academic Services						
Information Services	9,582	3,789	6,689	–	20,060	19,738
Other academic services	3,852	126	868	–	4,846	2,730
Student Scholarships, Bursaries, Recruitment and Liaison	2,836	46	3,533	–	6,415	6,579
	<u>16,270</u>	<u>3,961</u>	<u>11,090</u>	<u>–</u>	<u>31,321</u>	<u>29,047</u>
Premises						
Energy and Utilities	501	738	7,557	–	8,796	5,807
Repairs and General Maintenance	2,860	80	1,968	–	4,908	4,240
Depreciation of Buildings	–	10,043	–	–	10,043	9,203
Other	5,196	399	1,904	18	7,517	8,390
	<u>8,557</u>	<u>11,260</u>	<u>11,429</u>	<u>18</u>	<u>31,264</u>	<u>27,640</u>
Administration and Services						
Administrative Services	11,170	310	4,650	–	16,130	15,898
Audit Fees	–	–	46	–	46	45
Fees to Auditor for Non-Audit Work	–	–	25	–	25	48
Sports Facilities	1,316	498	1,226	–	3,040	2,609
Health, Nursery and Counselling Services	2,992	73	1,865	–	4,930	3,015
Grant to Guild of Students (note 35)	–	–	1,301	–	1,301	1,241
	<u>15,478</u>	<u>881</u>	<u>9,113</u>	<u>–</u>	<u>25,472</u>	<u>22,856</u>
Residences Catering and Conferences						
Residences	2,313	185	6,918	118	9,534	10,646
Catering and Conferences	4,554	129	6,771	–	11,454	9,560
Depreciation of Buildings	–	3,029	–	–	3,029	2,807
	<u>6,867</u>	<u>3,343</u>	<u>13,689</u>	<u>118</u>	<u>24,017</u>	<u>23,013</u>
Other Expenditure						
Other Services Rendered	3,814	880	11,536	–	16,230	13,035
Other	–	–	2,305	–	2,305	3,202
	<u>3,814</u>	<u>880</u>	<u>13,841</u>	<u>–</u>	<u>18,535</u>	<u>16,237</u>
TOTAL	<u><u>194,240</u></u>	<u><u>30,704</u></u>	<u><u>113,706</u></u>	<u><u>136</u></u>	<u><u>338,786</u></u>	<u><u>314,381</u></u>
The depreciation charge has been funded by:						
Deferred Capital Grants Released (Note 18)		12,362				
General Income		18,342				
		<u>30,704</u>				

Notes to the Accounts (continued)

For the year ended 31 July 2006

9. Exceptional Items	2005/6 £000	2004/5 £000
Profit on sale of surplus land and buildings	<u>–</u>	<u>2,118</u>
10. Tax on Profit on Ordinary Activities	2005/6 £000	2004/5 £000
United Kingdom corporation tax at 30% on subsidiary company profits:		
Current Year	(52)	(31)
Deferred tax – due to timing differences in a subsidiary company	(2)	38
Total (payable) / repayable	<u>(54)</u>	<u>7</u>

11. Tangible Fixed Assets

University	Assets in the course of Construction	Land and Buildings	Equipment	University Total 2005/6 £000
	£000	£000	£000	£000
Cost or Valuation				
Valuation	–	51,119	–	51,119
Cost	19,943	399,730	44,599	464,272
As at 1 August 2005	<u>19,943</u>	<u>450,849</u>	<u>44,599</u>	<u>515,391</u>
Additions/Disposals				
Additions at Cost	11,466	28,554	14,370	54,390
Disposals at Cost	–	(65)	(17,132)	(17,197)
Transfers at Cost	(27,724)	27,724	–	–
As at 31 July 2006:				
Valuation	–	51,119	–	51,119
Cost	3,685	455,943	41,837	501,465
	<u>3,685</u>	<u>507,062</u>	<u>41,837</u>	<u>552,584</u>
Accumulated Depreciation				
As at 1 August 2005 – Valuation	–	4,697	–	4,697
As at 1 August 2005 – Cost	–	46,616	31,207	77,823
Charge for the Year – Valuation	–	688	–	688
Charge for the Year – Cost	–	15,453	13,614	29,067
Depreciation on Disposals – Cost	–	(17)	(17,132)	(17,149)
As at 31 July 2006:	<u>–</u>	<u>67,437</u>	<u>27,689</u>	<u>95,126</u>
Net Book Value				
Valuation	–	45,734	–	45,734
Cost	3,685	393,891	14,148	411,724
Net Book Value as at 31 July 2006	<u>3,685</u>	<u>439,625</u>	<u>14,148</u>	<u>457,458</u>
Net Book Value as at 31 July 2005	<u>19,943</u>	<u>399,536</u>	<u>13,392</u>	<u>432,871</u>

Notes to the Accounts (continued)

For the year ended 31 July 2006

11. Tangible Fixed Assets continued

Consolidated	Assets in the course of Construction	Land and Buildings	Equipment	Consolidated Total 2005/6
	£000	£000	£000	£000
Cost or Valuation				
Valuation	–	51,593	–	51,593
Cost	20,060	433,666	44,949	498,675
As at 1 August 2005	<u>20,060</u>	<u>485,259</u>	<u>44,949</u>	<u>550,268</u>
Additions/Disposals				
Additions at Cost	11,666	28,612	14,370	54,648
Disposals at Cost	–	(65)	(17,143)	(17,208)
Transfers at Cost	(27,742)	27,742	–	–
As at 31 July 2006:				
Valuation	–	51,593	–	51,593
Cost	<u>3,984</u>	<u>489,955</u>	<u>42,176</u>	<u>536,115</u>
	<u>3,984</u>	<u>541,548</u>	<u>42,176</u>	<u>587,708</u>
Accumulated Depreciation				
As at 1 August 2005 – Valuation	–	4,697	–	4,697
As at 1 August 2005 – Cost	–	53,444	31,478	84,922
Charge for the Year – Valuation	–	688	–	688
Charge for the Year – Cost	–	16,369	13,647	30,016
Depreciation on Disposals – Cost	–	(19)	(17,135)	(17,154)
As at 31 July 2006	<u>–</u>	<u>75,179</u>	<u>27,990</u>	<u>103,169</u>
Net Book Value				
Valuation	–	46,208	–	46,208
Cost	<u>3,984</u>	<u>420,161</u>	<u>14,186</u>	<u>438,331</u>
Net Book Value as at 31 July 2006	<u>3,984</u>	<u>466,369</u>	<u>14,186</u>	<u>484,539</u>
Net Book Value as at 31 July 2005	<u>20,060</u>	<u>427,118</u>	<u>13,471</u>	<u>460,649</u>

Notes to the Accounts (continued)

For the year ended 31 July 2006

The accumulated cost of Assets in the Course of Construction includes:

	£000
Muirhead Tower refurbishment	996
Mason Hall	2,614
Other	374
	<u>3,984</u>

The reinstatement cost of buildings for insurance purposes is £1,295m (2005 £1,147m).

The net book value of the land and buildings represents freehold interests except for £22.7m (2005 £23.6m) of interest in long leasehold land and buildings.

Fully depreciated equipment is written out after 3 years and shown as a disposal and a depreciation adjustment.

	University		Consolidated	
	2006	2005	2006	2005
	£000	£000	£000	£000
12. Fixed Asset Investments				
Balance at 1 August	10,304	9,181	9,948	8,825
Additions	26	–	26	–
Appreciation on Disposals and Revaluation	<u>756</u>	<u>1,123</u>	<u>756</u>	<u>1,123</u>
Balance at 31 July	<u>11,086</u>	<u>10,304</u>	<u>10,730</u>	<u>9,948</u>
Represented by:				
Investments	7,966	10,304	7,610	9,948
Cash	<u>3,120</u>	<u>–</u>	<u>3,120</u>	<u>–</u>
	<u>11,086</u>	<u>10,304</u>	<u>10,730</u>	<u>9,948</u>

The investments consist of a managed portfolio of properties, equities and fixed interest securities, and subsidiary company shares as listed in note 34.

	University and Consolidated	
	2006	2005
	£000	£000
13. Endowment Asset Investments		
Balance at 1 August	67,804	59,911
Additions	1,587	387
Disposals	(1,754)	–
Appreciation on Disposals and Revaluation	<u>3,655</u>	<u>7,506</u>
Balance at 31 July	<u>71,292</u>	<u>67,804</u>
Represented by:		
Investments	47,757	64,808
Cash	<u>23,535</u>	<u>2,996</u>
	<u>71,292</u>	<u>67,804</u>

Notes to the Accounts (continued)

For the year ended 31 July 2006

14. Debtors

	University		Consolidated	
	2006	2005	2006	2005
	£000	£000	£000	£000
		Re-stated		Re-stated
Amounts falling due within one year:				
Research Grants and Contracts	17,663	19,448	17,663	19,448
Other Debtors and Prepayments	18,854	19,922	18,786	19,804
Alta Estates Ltd	533	533	–	–
Birmingham Research Park Ltd	90	84	–	–
Alta Cyclotron Ltd	25	–	–	–
	<u>37,165</u>	<u>39,987</u>	<u>36,449</u>	<u>39,252</u>

Amounts falling due after one year:

Alta Estates Ltd	5,201	5,734	–	–
Birmingham Research Park Ltd	203	282	–	–
	<u>5,404</u>	<u>6,016</u>	<u>–</u>	<u>–</u>
	<u>42,569</u>	<u>46,003</u>	<u>36,449</u>	<u>39,252</u>

15. Creditors: Amounts Falling due within one year

	University		Consolidated	
	2006	2005	2006	2005
	£000	£000	£000	£000
Loans and Bank Overdrafts	344	344	344	454
Research Grants and Contracts in Advance	19,214	18,438	19,214	18,438
Corporation Tax	–	–	51	25
Social Security and Other Taxation Payable	4,624	4,658	4,703	4,706
Other Creditors	<u>44,697</u>	<u>45,308</u>	<u>45,833</u>	<u>46,685</u>
	<u>68,879</u>	<u>68,748</u>	<u>70,145</u>	<u>70,308</u>

16. Creditors: Amounts Falling due after more than one year

	University		Consolidated	
	2006	2005	2006	2005
	£000	£000	£000	£000
Loan repayable by Instalments, within 5 years	1,701	2,141	1,032	1,379
The loan is repayable in quarterly instalments and incurs interest at 0.5% above Bank of England base rate.				

The University has two interest SWAP transactions with Barclays and one with the National Bank of Australia, for £5m each, that are effective until 2016. Each SWAP transaction incorporates a fixed rate, which is compared with a variable 3 month LIBOR interest rate. The University incurs an interest charge when the SWAP rate is less than the 3 month LIBOR rate, and receives interest where the variable LIBOR interest exceeds the SWAP. Both of the Barclays SWAPs expire in 2021, while the National Bank of Australia SWAP expires in 2026.

Notes to the Accounts (continued)

For the year ended 31 July 2006

17. Provisions for Liabilities and Charges

	University		Consolidated	
	2006	2005	2006	2005
	£000	£000	£000	£000
Re-structuring				
At 1 August	253	717	253	717
Utilised during the year	(159)	(532)	(159)	(532)
Provided in year	382	68	382	68
At 31 July	<u>476</u>	<u>253</u>	<u>476</u>	<u>253</u>
Deferred Taxation				
At 1 August	–	–	1,679	1,717
Provided in year (note 10)	–	–	2	(38)
At 31 July	<u>–</u>	<u>–</u>	<u>1,681</u>	<u>1,679</u>
Total at 31 July	<u>476</u>	<u>253</u>	<u>2,157</u>	<u>1,932</u>
Analysis of Deferred Taxation:				
Accelerated capital allowances	–	–	2,067	2,136
Less unutilised tax losses	–	–	(386)	(457)
At 31 July	<u>–</u>	<u>–</u>	<u>1,681</u>	<u>1,679</u>

18. Deferred Capital Grants

	Other Grants and Benefactions	Funding Council	Consolidated Total	University Total
	£000	£000	£000	£000
At 1 August 2005				
Buildings	19,384	64,597	83,981	83,118
Equipment	<u>4,282</u>	<u>3,270</u>	<u>7,552</u>	<u>7,552</u>
	<u>23,666</u>	<u>67,867</u>	<u>91,533</u>	<u>90,670</u>
Cash Received				
Buildings	2,206	17,205	19,411	19,411
Equipment	<u>3,870</u>	<u>4,000</u>	<u>7,870</u>	<u>7,870</u>
Released to Income and Expenditure				
Buildings	(710)	(3,903)	(4,613)	(4,574)
Equipment	<u>(4,245)</u>	<u>(3,504)</u>	<u>(7,749)</u>	<u>(7,749)</u>
At 31 July 2006				
Buildings	20,880	77,899	98,779	97,955
Equipment	<u>3,907</u>	<u>3,766</u>	<u>7,673</u>	<u>7,673</u>
	<u>24,787</u>	<u>81,665</u>	<u>106,452</u>	<u>105,628</u>

Notes to the Accounts (continued)

For the year ended 31 July 2006

19. Endowments

University and Consolidated

	Specific £000	General £000	Total £000
At 1 August 2005	59,611	8,193	67,804
Additions	388	–	388
Appreciation of Endowment Asset Investments	3,121	534	3,655
Income for Year	2,061	298	2,359
Transfer to Budget Centre Funds	(779)	–	(779)
Transferred to Income and Expenditure Account	(1,837)	(298)	(2,135)
At 31 July 2006	<u>62,565</u>	<u>8,727</u>	<u>71,292</u>

20. Revaluation Reserve

Consolidated

University

	Land and Buildings £000	Investments £000	Total £000	Total £000
At 1 August 2005	46,896	3,143	50,039	49,566
Revaluation in the year	–	756	756	756
Released to Income and Expenditure Account	(688)	–	(688)	(688)
As at 31 July 2006	<u>46,208</u>	<u>3,899</u>	<u>50,107</u>	<u>49,634</u>

The revaluation in the year is due to changes in the market values of investments.

21. Income and Expenditure Account

Consolidated University

	Balance 1 August 2005 Re-stated £000	Additions/ (Reductions) for the year £000	Revaluation Reserve Release £000	Other Movements £000	Balance 31 July 2006 £000	Balance 31 July 2006 £000
Available						
Academic Budget Centres	12,555	(1,398)	–	–	11,157	11,157
Non-Academic Budget Centres	10,607	(221)	–	–	10,386	10,386
Infrastructure Fund	9,230	(4,693)	–	796	5,333	5,333
Rationalisation Fund	761	17	–	–	778	778
Residences, Catering and Conferences	5,092	(65)	–	–	5,027	5,027
General Reserve	20,187	3,640	–	–	23,827	23,827
Subsidiary Undertakings	4,656	(103)	–	–	4,553	–
Other Funds	21,283	7,566	–	(17)	28,832	28,832
Sub-total – Available	<u>84,371</u>	<u>4,743</u>	<u>–</u>	<u>779</u>	<u>89,893</u>	<u>85,340</u>
Committed	179,700	11,043	688	(7,900)	183,531	172,085
TOTAL	<u>264,071</u>	<u>15,786</u>	<u>688</u>	<u>(7,121)</u>	<u>273,424</u>	<u>257,425</u>

Notes to the Accounts (continued)

For the year ended 31 July 2006

22. Prior Year Adjustment

During the year the University has adopted the requirements of FRS 17 (Retirement Benefits). Under FRS 3 this change in accounting policy is accounted for as a prior year adjustment.

The effect of this adjustment on the consolidated results is summarised below:

	Consolidated as previously reported 2004/5	PYA impact	As restated 2004/5
Income and Expenditure Account	£000	£000	£000
Total income	334,359	–	334,359
Total expenditure	313,547	834	314,381
Retained surplus for the year	22,917	(834)	22,083
Statement of Recognised Gains and Losses			
Actuarial loss in respect of BPAS	–	(13,400)	(13,400)
Total Recognised Gains Relating to the Year	31,944	(14,234)	17,710
Balance Sheet			
Net Assets excluding pension liability	540,272	(11,071)	529,201
Pension Fund Liabilities	–	(53,700)	(53,700)
Net Assets including pension liability	<u>540,272</u>	<u>(64,771)</u>	<u>475,501</u>
Income and Expenditure Account, excluding pension liability	328,842	(11,071)	317,771
Income and Expenditure Account, including pension liability	328,842	(64,771)	264,071
Total Funds	<u>540,272</u>	<u>(64,771)</u>	<u>475,501</u>

23. Lease Obligations

The University had no finance lease obligations in 2004/5 or 2005/6.

There are a small number of operating leases which are not disclosed on grounds of materiality.

24. Capital Commitments

University and Consolidated

	2006 £000	2005 £000
Contracts for capital expenditure	54,205	25,223

Committed expenditure includes: Mason Hall (£28.7m), Gisbert Kapp (£14.7m), Strathcona (£1.7m), Mechanical Engineering refurbishment (£1.4m).

Notes to the Accounts (continued)

For the year ended 31 July 2006

25. Contingent Liability

The University is a member of UM Association (Special Risks) Ltd., a company limited by guarantee formed to provide a mutual association for terrorism risks. If the association suffers a shortfall in any underwriting year, the members are liable for their pro rata share, spread using a bank facility over 7 years. No liability has yet arisen under this guarantee. Under the terms of its membership each member acts as insurer and insured.

26. Reconciliation of Operating Surplus to Net Cash from Operating Activities

	Consolidated	
	2005/6	2004/5
		Re-stated
	£000	£000
Surplus for the year before taxation	16,157	22,096
Depreciation of fixed assets (Note 11)	30,704	29,668
Deferred capital grants released to income (Note 18)	(12,362)	(12,339)
Return on investments (note 27)	(4,423)	(932)
Decrease / (Increase) in stocks	9	(117)
Decrease / (Increase) in debtors	2,803	(4,917)
(Decrease) / Increase in creditors	(84)	7,106
Increase / (Decrease) in provisions	225	(464)
Cash payment to pension scheme	(19,600)	–
Pension cost less contributions payable	2,200	100
Profit from sale of tangible fixed asset	–	(2,118)
Transfers in respect of Specific Endowments	(224)	–
Net Cash Inflow from Operating Activities	<u>15,405</u>	<u>38,083</u>

27. Returns on Investments and Servicing of Finance

	Consolidated	
	2005/6	2004/5
		Re-stated
	£000	£000
Income from fixed asset investments	699	324
Income from endowments	2,135	1,979
Income from short term investments	1,725	1,506
Interest paid	(136)	(2,877)
	<u>4,423</u>	<u>932</u>

Notes to the Accounts (continued)

For the year ended 31 July 2006

28. Capital Expenditure and Financial Investment

Consolidated

2005/6	2004/5
£000	£000

Tangible assets acquired	(54,648)	(43,726)
Fixed asset investments acquired (note 12)	(26)	–
Endowment asset investments acquired (note 13)	<u>(1,587)</u>	<u>(297)</u>
Total fixed and endowment assets acquired	(56,261)	(44,023)
Receipts from sales of endowment asset investments	25,636	–
Receipts from sales of tangible assets	54	9,651
Deferred capital grants received	27,281	32,513
Endowments received (note 19)	<u>388</u>	<u>452</u>
	<u>(2,902)</u>	<u>(1,407)</u>

29. Analysis of Changes in External Financing During the Year

Consolidated

2005/6	2004/5
£000	£000

Balance at 1 August	1,833	32,702
New Leases/Loans	–	4
Capital repayments	<u>(457)</u>	<u>(30,873)</u>
Balance at 31 July	<u>1,376</u>	<u>1,833</u>

30. Analysis of Changes in Net Funds

Consolidated

	At 1 August 2005 £000	Cash Flows £000	At 31 July 2006 £000
Short term deposits repayable on demand	23,104	(10,544)	12,560
Fixed asset investments	–	3,120	3,120
Endowment asset investments	2,996	20,539	23,535
Cash in hand, and at bank	<u>1,348</u>	<u>3,324</u>	<u>4,672</u>
	27,448	16,439	43,887
Debt due within one year	(454)	110	(344)
Debt due after one year	<u>(1,379)</u>	<u>347</u>	<u>(1,032)</u>
Net Funds	<u>25,615</u>	<u>16,896</u>	<u>42,511</u>

Notes to the Accounts (continued)

For the year ended 31 July 2006

31. Pension Schemes

Pension arrangements are funded by employee and employer contributions to pension schemes that are financially separate from the University. Staff paid on academic and academically-related scales who are eligible, acquire pension rights through the Universities Superannuation Scheme (USS), which is a national scheme administered by a separate company on behalf of all universities. Some staff contribute to private schemes. Staff on other salary scales may be covered by the University of Birmingham Pension and Assurance Scheme (BPAS), administered in-house by a Trustee Group comprising four employer nominated and four employee nominated Trustees with an independent Chair. Management of the Scheme's investments is undertaken by UBS Global Asset Management Ltd.

Both schemes provide benefits based on final pensionable salary and the pension cost is assessed using the projected unit method for USS and a modified aggregate funding method for BPAS.

The total pension cost for each Scheme for the University is as follows:

	2005/6 £000	2004/5 £000
USS	13,531	12,332
BPAS	5,400	5,000
Other Pension Schemes	<u>2,001</u>	<u>1,735</u>
Total Pension Costs (Note 6)	<u>20,932</u>	<u>19,067</u>

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31st March, 2005. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments, (ie. the valuation rate of interest), and the rates of increase in salary and pensions. In relation to the past service liability the financial assumptions were derived from market yields prevailing at the valuation date, it was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum. In relation to future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £21,740 million, and the valuation of the past service liabilities was £28,308 million, indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries, but it was agreed to maintain the institution contribution rate at 14% of pensionable salaries. Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31st March 2008. There will also be an actuarial valuation carried out as at 31st March 2006 and annually thereafter on the 'technical provisions' basis under the Pensions Act 2004, as required by the Occupational Pension Schemes (Cross-Border Activities) Regulations 2005, reflecting the scheme's status as a cross-border scheme. The contribution rate will be reviewed as part of each valuation.

Notes to the Accounts (continued)

For the year ended 31 July 2006

31. Pension Schemes continued

University of Birmingham Pension and Assurance Scheme (BPAS)

BPAS is contracted out of the State Earnings-Related Pension Scheme and management of the Scheme's investments is undertaken by UBS Global Asset Management Ltd. The latest full actuarial valuation of the scheme was at 31st December 2004, and the valuation identified that additional contributions were required as determined by the Pensions Act (1995) minimum Funding Requirement Regulations.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments, (ie. the valuation rate of interest), and the rates of increase in salary and pensions. In relation to the past service liability the financial assumptions were derived from market yields prevailing at the valuation date, it was assumed that the valuation rate of interest would be 4.3% per annum, salary increases would be 4.2% per annum and pensions would increase by 2.7% per annum. In relation to future service liabilities it was assumed that the valuation rate of interest would be 6.8% per annum, salary increases would be 4.2% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the modified aggregate method.

At the valuation date, the market value of the assets of the scheme was £159.6 million, and the valuation of the past service liabilities was £192.5 million, giving a deficit of £32.9 million. The assets therefore were sufficient to cover 82.3% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The valuation resulted in a deficit of £63.4m based on an alternative set of prudent assumptions determined by the trustees in consultation with the principal employer. The principal employer agreed a package of benefit changes with the contributing members that would generate £17.8m of this total with the balance being met through a schedule of contributions over an approved time period.

The next valuation will be published in March 2007. Contributions have been paid by employees at the rate of 6% of pensionable pay and by the University at the rate of 14% of employees' pensionable pay. Additionally a further £19.6 million was paid in the period ended 31st July 2006, as determined by the Schedule of Contributions agreed with the Scheme Actuary

The assumptions employed by the Scheme Actuary for the valuation of liabilities as at 31st July, 2006, were as follows:

	July 2006	July 2005	July 2004
Discount Rate	5.1%	5.0%	5.7%
Salary Growth	4.6%	4.2%	4.5%
Inflation	3.1%	2.7%	3.0%
Pension Increases	3.1%	2.7%	3.0%

The invested assets of the Scheme amounted to £208.0 million (after investment of the additional contribution).

The assets and the expected long term rate of return were:

	July 2006		July 2005		July 2004	
	£million	Rate of Return	£million	Rate of Return	£million	Rate of Return
Equities	100.7	8.0%	81.5	7.4%	75.0	8.1%
Property	18.6	6.5%	15.5	6.2%	—	—
Corporate Bonds	37.9	5.1%	56.0	5.0%	47.7	5.5%
Index Linked Bonds	19.6	4.5%	12.7	4.3%	20.3	5.0%
Fixed Interest Bonds	24.0	4.5%	—	—	—	—
Other Assets	7.2	4.1%	7.9	3.7%	1.7	4.0%
Total	<u>208.0</u>		<u>173.6</u>		<u>144.7</u>	

The following amounts were measured in accordance with the requirements of Financial Reporting Standard 17:

	July 2006 £million	July 2005 £million	July 2004 £million
Total market value of assets	208.0	173.6	144.7
Present value of scheme liabilities	<u>252.2</u>	<u>227.3</u>	<u>184.9</u>
Deficit in the scheme	<u>44.2</u>	<u>53.7</u>	<u>40.2</u>

Notes to the Accounts (continued)

For the year ended 31 July 2006

31. Pension Schemes continued

The above amounts have been recognised in the financial statements as follows:

	July 2006 £million	July 2005 £million	July 2004 £million
Net assets excluding pension deficit	547.6	529.2	479.9
Pension deficit	(44.2)	(53.7)	(40.2)
Net assets including pension deficit	503.4	475.5	439.7
Profit and loss reserve excluding pension deficit	317.6	317.8	296.3
Pension deficit	(44.2)	(53.7)	(40.2)
Profit and loss reserve including pension deficit	273.4	264.1	256.1

Additionally, in accordance with Financial Reporting Standard 17, the following components of the pensions charge have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2006:

	July 2006 £million	July 2005 £million	July 2004 £million
Analysis of amounts charged to Income and Expenditure account:			
Current service cost	5.4	5.0	4.3
Finance:			
Interest on pension scheme liabilities	11.2	10.4	9.2
Expected return on assets in the pension scheme	(11.4)	(9.9)	(8.9)
Net charge (credit) to other finance income	(0.2)	0.5	0.3
Total charge before tax	5.2	5.5	4.6

Analysis of amounts recognised in Statement of Total Recognised Gains and Losses:

Loss (Gain) on assets	(5.2)	(17.4)	3.8
Experience loss (gain) on scheme liabilities	(2.0)	0.9	(1.2)
Loss (Gain) on change of assumptions	15.1	29.9	6.7
Total loss before tax	7.9	13.4	9.3

In total, the movement in the University's share of the scheme's deficit during the year is made up as follows:

	£million
Deficit on scheme at 1 August 2005	53.7
Movements in the year:	
– current service cost	5.4
– contributions paid	(22.6)
– finance income	(0.2)
– actuarial loss (gain)	7.9
Deficit on scheme at 31 July 2006	44.2

Notes to the Accounts (continued)

For the year ended 31 July 2006

31. Pension Schemes continued

The experience gains and losses for the year were as follows:	2005/6		2004/5		2003/4		2002/3		2001/2	
	£million	%	£million	%	£million	%	£million	%	£million	%
Loss (Gain) on assets	(5.2)		(17.4)		3.8		0.3		18.7	
Percentage of scheme assets at the end of the year		(2.5)		(10.0)		2.6		0.2		15.0
Experience loss (gain) on scheme liabilities	(2.0)		0.9		(1.2)		(1.2)		(5.8)	
Percentage of scheme liabilities at the end of the year		(0.8)		0.4		(0.6)		(0.7)		(3.9)
Total loss recognised in the statement of total recognised gains and losses:	7.9		13.4		9.3		11.2		13.0	
Percentage of scheme liabilities at the end of the year		3.1		5.9		5.0		6.6		8.7

32. Agency Arrangements

	University and Consolidated			
	Learning Support Funds		Training and Development Agency	
	2005/6 £000	2004/5 £000	2005/6 £000	2004/5 £000
Balances Unspent as at 1 August	364	327	103	83
Funding Council Grants Received	794	1,021	2,286	2,278
Disbursed to Students	(801)	(954)	(2,285)	(2,258)
Administration costs	(27)	(30)	0	0
Balances Unspent at 31 July	<u>330</u>	<u>364</u>	<u>104</u>	<u>103</u>

Funding Council grants and bursaries are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

The University also received £1.7m (2004/5 £2.0m) from the Funding Council in respect of the Aim Higher initiative, which has been disbursed to colleges in the West Midlands.

33. Related Party Transactions

To capture information on related party transactions the University has circularised members and officers who attend Council, Strategy, Planning and Resources Committee, Investment Committee, Estates Committee and the Trustees of the University of Birmingham Pension and Assurance Scheme.

Due to the nature of the University's operations and the composition of the University's governing body, being drawn from commerce, industry and the public sector, it is inevitable that transactions will take place with organisations in which a member of the governing body has an interest. All such transactions are conducted at arms length and in accordance with the University's Manual of Financial Rules and Procedures with respect to procurement.

No declarations of disclosable interests have been made.

Notes to the Accounts (continued)

For the year ended 31 July 2006

34. Subsidiary Undertakings

Name	University Holding	Business Activity
Alta Estate Services Limited	100%	Operates a Combined Heat and Power plant
Birmingham Research and Development Limited	100%	Technology Transfer
Birmingham Research Park Limited	51%	Provision of Accommodation to High Technology Companies
Alta Library Services Limited	100%	Provision of Library Services
Entice Technology Limited	57.5%	Software development
University of Birmingham Selly Oak Educational Trust	100%	Management of Land and Buildings on the Selly Oak Campus
Alta Cyclotron Limited	100%	Preparation and sale of chemicals for clinical use

The subsidiaries are all incorporated in and operate in Great Britain.

The summarised balance sheets and results for the year ended 31 July 2006 are as follows:

	Alta Estate Services Limited	Birmingham Research and Development Limited	Birmingham Research Park Limited	Alta Library Services Limited	Entice Technology Limited	University of Birmingham Selly Oak Educational Trust	Alta Cyclotron Services Limited
	£000	£000	£000	£000	£000	£000	£000
Tangible Fixed Assets	11,053	28	5,256	–	5	10,738	–
Investments	–	172	–	–	–	–	–
Current Assets	<u>915</u>	<u>1,098</u>	<u>495</u>	<u>149</u>	<u>61</u>	<u>13</u>	<u>212</u>
	<u>11,968</u>	<u>1,298</u>	<u>5,751</u>	<u>149</u>	<u>66</u>	<u>10,751</u>	<u>212</u>
Capital and Reserves	3,796	305	5,111	–	46	10,738	–
Creditors	6,491	993	640	149	20	13	212
Provisions	<u>1,681</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>11,968</u>	<u>1,298</u>	<u>5,751</u>	<u>149</u>	<u>66</u>	<u>10,751</u>	<u>212</u>
Profit/(Loss) for the Year	<u>4</u>	<u>261</u>	<u>160</u>	<u>79</u>	<u>27</u>	<u>(177)</u>	<u>99</u>

The University has investments in the following companies:

	£000
Cryo Technology Limited	65
Mercia Technology Fund	200
CVCP Properties Limited	64

The University also has an interest in the following companies through its subsidiaries.

Notes to the Accounts (continued)

For the year ended 31 July 2006

These have not been consolidated on grounds of materiality.

University Investment	
	%
Ad Surf Eng Limited	6
Applied Functional Materials Limited	28
Astron Clinica Limited	10
Birmingham Health Science Devices Limited	50
Celentyx Limited	33
CPD-HQ Limited	33
Crimson Technologies Limited	10
EXMET Limited	10
Hybrid Systems Limited	25
McBurney Scientific Limited	16
Metal Nanopowders Limited	36
Neurogenix Limited	42
Ortus Medical Limited	25
Prolego Technologies Limited	15
Scyron Limited	5
Cobra Therapeutics Limited	2
Talis Group Limited	3
Adsfab Limited	>1
1..... Limited	>1

35. Guild of Students

The University has not consolidated the financial statements of the Guild of Students because the University has no control or dominant influence over policy decisions. The summarised balance sheet and results for the year ended 31 July 2006 are as follows:

	2005/6 £000	2004/5 £000
Tangible Fixed Assets	216	208
Investments	5	5
Current Assets	<u>1,943</u>	<u>1,612</u>
	<u>2,164</u>	<u>1,825</u>
Reserves	1,248	905
Creditors	<u>916</u>	<u>920</u>
	<u>2,164</u>	<u>1,825</u>
Surplus for the Year	<u>343</u>	<u>248</u>

The University's Income and Expenditure Account reflects payment to the Guild of Students of a Block Grant of £1,301k (Note 8) (2003/4 £1,241k).

Five Year Summary Accounts

Income and Expenditure Account

	2001/02	2002/03	2003/04	2004/05	2005/06
	£000	£000	£000	£000	£000
				Re-stated	
Income					
Funding Council Grants	90,622	95,867	105,200	114,213	122,465
Academic Fees and Support Grants	53,294	59,557	63,181	66,170	69,860
Research Grants and Contracts	68,048	70,673	70,201	73,609	76,736
Other Operating Income	64,406	62,047	68,104	76,558	81,323
Endowment Income and Interest	<u>3,151</u>	<u>3,709</u>	<u>3,089</u>	<u>3,809</u>	<u>4,559</u>
Total Income	<u>279,521</u>	<u>291,853</u>	<u>309,775</u>	<u>334,359</u>	<u>354,943</u>
Expenditure					
Staff Costs	154,316	163,067	169,732	181,735	194,240
Depreciation	22,248	24,669	26,929	29,668	30,704
Other Operating Expenses	93,406	89,050	94,737	100,101	113,706
Interest Payable	<u>2,002</u>	<u>2,941</u>	<u>2,630</u>	<u>2,877</u>	<u>136</u>
Total Expenditure	<u>271,972</u>	<u>279,727</u>	<u>294,028</u>	<u>314,381</u>	<u>338,786</u>
Operating Surplus before tax and exceptional items	<u><u>7,549</u></u>	<u><u>12,126</u></u>	<u><u>15,747</u></u>	<u><u>19,978</u></u>	<u><u>16,157</u></u>

Balance Sheet

Fixed Assets	385,449	417,493	449,636	470,597	495,269
Endowment Asset Investments	54,803	57,210	59,911	67,804	71,292
Net Current Assets	22,504	24,668	11,817	(5,889)	(15,758)
Creditors: Amounts Due After One Year	(36,000)	(33,067)	(29,390)	(1,379)	(1,032)
Provisions for Liabilities and Charges	(3,546)	(2,799)	(2,434)	(1,932)	(2,157)
Total Net Assets, excluding pension liability	<u><u>423,210</u></u>	<u><u>463,505</u></u>	<u><u>489,540</u></u>	<u><u>529,201</u></u>	<u><u>547,614</u></u>
Represented By:					
Deferred Capital Grants	40,162	64,214	72,819	91,533	106,452
Endowments	54,803	57,210	59,911	67,804	71,292
Revaluation Reserve	59,971	50,124	49,604	50,039	50,107
Income and Expenditure Reserves:					
Available Funds	41,884	60,292	66,849	84,371	89,893
Committed Funds	<u>226,390</u>	<u>231,665</u>	<u>240,357</u>	<u>235,454</u>	<u>229,870</u>
	<u>268,274</u>	<u>291,957</u>	<u>307,206</u>	<u>319,825</u>	<u>319,763</u>
Total Funds, excluding pension liability	<u><u>423,210</u></u>	<u><u>463,505</u></u>	<u><u>489,540</u></u>	<u><u>529,201</u></u>	<u><u>547,614</u></u>

Financial Statistics

Sources of Income

% of Total Income	2001/02	2002/03	2003/04	2004/05	2005/06
	%	%	%	%	%
Grants from Funding Councils (HEFCE and TTA)	32.4	32.8	33.9	34.2	34.5
Tuition Fees – Home and EC	13.8	14.9	14.4	14.0	14.3
Tuition Fees – Overseas	5.3	5.5	6.0	5.8	5.4
Income from Research Grants and Contracts	24.3	24.2	22.6	22.0	21.6
Income from Residences, Catering and Conferences	7.1	7.3	7.0	7.7	7.6
Other Income	17.1	15.3	16.1	16.3	16.6
Total Income	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Analysis of Expenditure

% of Total Expenditure	%	%	%	%	%
Staff Costs	56.8	58.3	57.7	57.9	57.3
Depreciation	8.2	8.8	9.2	9.5	9.1
Other Operating Expenses	34.3	31.8	32.2	31.8	33.6
Interest Payable	0.7	1.1	0.9	0.8	0.0
Total Expenditure	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Operating surplus for the year as a % of total income	2.7%	4.2%	5.3%	6.2%	4.6%
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Indicators of Financial Strength

Ratio of available general funds to total expenditure (days) The number of days expenditure that could be sustained from available funds	66	88	94	108	106
Ratio of long-term liabilities to total net assets Measures the extent to which an institution is funded by long term debt	8.6%	7.2%	6.3%	0.3%	0.2%

Indicators of Liquidity and Solvency

Ratio of liquid assets to current liabilities Extent to which current liabilities could be met from cash and liquid investments	0.4	0.5	0.3	0.3	0.2
Ratio of current assets to current liabilities Extent to which current liabilities could be met from current assets	1.4	1.4	1.2	0.9	0.8
Debtor Days Days of total income (excluding Funding Council grants) represented by debtors	81	78	74	65	57

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