



**Financial** Statements

**2011-2012**



UNIVERSITY OF  
**BATH**

THE SUNDAY TIMES  
**UNIVERSITY** 3<sup>rd</sup>  
GUIDE 2013

# Financial Statements

for the year ended 31 July 2012

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3	<b>Report of the Treasurer</b>
8	<b>Public Benefit Statement</b>
12	<b>Corporate Governance</b>
14	<b>Responsibilities of the University's Council</b>
15	<b>Membership of the University's Council</b>
16	<b>Independent Auditor's Report</b>
17	<b>Statement of Principal Accounting Policies</b>
20	<b>Consolidated Income and Expenditure Account for the year ended 31 July 2012</b>
21	<b>Statement of Consolidated Total Recognised Gains and Losses for the year ended 31 July 2012</b>
22	<b>Balance Sheets as at 31 July 2012</b>
23	<b>Consolidated Cash Flow Statement for the year ended 31 July 2012</b>
23	<b>Reconciliation of Net Cash Flow to Movement in Net Debt</b>
24	<b>Notes to the Accounts</b>

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# Report of the Treasurer

## Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its subsidiary company. The company in which the University holds 100% of the share capital is listed in note 14 to the Financial Statements, this subsidiary company is dormant. As well as the subsidiary, the Financial Statements include the results of University of Bath Foundation Ltd. The University of Bath

Foundation Ltd is a charitable and educational foundation incorporated in the State of Maryland with the object of supporting activities involving the University of Bath in the United States. The Foundation is an independent body responsible under United States law for its own affairs.

## Consolidated Results for the Year and Outlook

The changes in the HE Sector that have introduced a market for the most qualified students, higher tuition fees and increased student support packages have created the most dynamic environment that the sector has experienced. During the course of 2011-12 the University has been able to prepare for these changes as well as continuing to invest in its teaching and research activities from a position of relative strength. The University entered the year having reported a record financial surplus in 2010-11 and in September 2011 was recognised as the Sunday Times University of the Year 2011-12 rising to 5th place in their University ranking. The

University also performed very strongly in the National Student Survey (NSS) in 2011 being ranked 5th in the UK. In November the University received a Queen's Anniversary Prize for Further and Higher Education in recognition of its influential research into child poverty and support for vulnerable people. I am pleased to be able to report an equally successful conclusion to the year. Whilst we expected 2010-11 to represent a financial high-water mark the University has recorded another excellent surplus in 2011-12 the 9th consecutive year we have been able to report a surplus. I would like to thank and congratulate the Vice-Chancellor and her

	<b>£000 2012</b>	<b>£000 2011</b>	<b>% Increase</b>
Income	196,648	193,964	1%
Expenditure	<u>(185,672)</u>	<u>(176,526)</u>	5%
Surplus on continuing operations	10,976	17,438	(37)%
Write-down of Investments	(404)	(420)	
Exceptional items and losses on disposal of fixed assets	<u>246</u>	<u>74</u>	
Net surplus after exceptional items and disposal of fixed assets	<u>10,818</u>	<u>17,092</u>	(37)%
Net assets excluding pension liability	<u>202,328</u>	<u>191,206</u>	6%
Net assets including pension liability	<u>170,313</u>	<u>166,368</u>	2%
Net cash inflow from operating activities	<u>19,037</u>	<u>26,508</u>	(28)%

senior management team for this tremendous result and for all the work and effort that went into achieving it. In addition, the University again achieved 5th place in the NSS for 2012 and improved its ranking in the 2012 Sunday Times Good University Guide to 3rd place. The University was ranked top in three subjects which was only exceeded by Oxford and Cambridge. This recognition is a credit to both the students and the staff of the University and they are to be congratulated on such impressive achievements.

These awards recognise the University's excellence in research, teaching and its commitment to delivering the highest quality student experience. The early indications are that the University has fared well, certainly in relation to other HEI's, in the new market environment but the factors that present a risk to the sector as a whole also present a risk to the University of Bath.

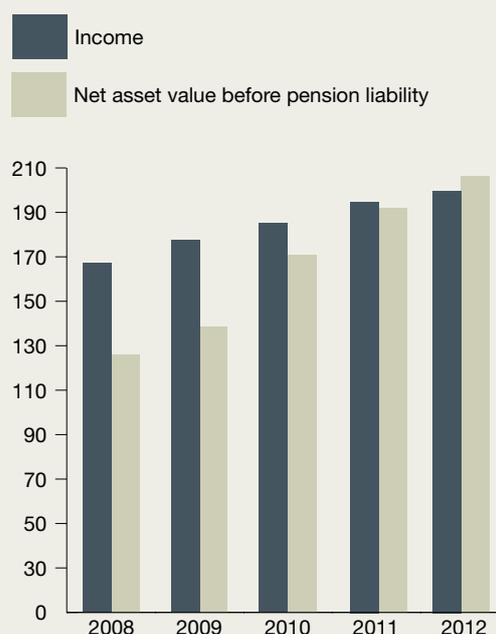
Like almost all of its peers the University of Bath opted in April 2011 to charge a £9,000 fee for new entrants in 2012-13. The effect of this is still difficult to predict. Overall there appears to be a reduction of approximately 54,000 in the number of admissions in the sector in October 2012 in comparison to October 2011. Much of this will be due to a reversion to a more typical number of deferrals following the low point last year as students sought to avoid the higher fee system. It is still too early to say whether or how much of a deterrent the new funding regime will prove to be to prospective undergraduates.

Also very relevant to the University of Bath has been the introduction of a market for students with A-Level grades of AAB or better. I noted last year that this accounted for around 75% of the University's students and with the consequent reduction in the student number control quota the University has been propelled into a competitive market for domestic as well as overseas students. The number of students achieving AAB+ decreased by 14,000 (15%) in total in 2012 notably reducing the size of the market in which the University is competing. The University experienced an increase in the number of applications for 2012-13 admission and early indications are that the University has outperformed the sector increasing its intake broadly in line with its expectations. The introduction of a market is an opportunity as much as a threat for all Universities however, market volatility represents only a threat to the sector. The view of the University is that its high quality offering will continue to prove attractive to prospective students in 2013-14 when the competitive market is extended to students achieving A-Level grades of ABB or better .

The cap on fees at £9,000 presents a longer term issue for the sector. Whilst costs will increase broadly in line with inflation tuition fees will remain static and this will need to be addressed by Government before long to avoid universities getting into financial difficulty. Whilst the University of Bath's financial position is strong both in absolute terms and relative to the sector a prolonged

fee cap of £9,000 will become an increasing financial concern. More immediately the proposed reduction in the maximum fee that can be charged for a placement year is likely to be detrimental to the student experience and financially damaging to the University if introduced. The University of Bath offers a high quality placement process with more support than is the norm in the sector. This is valued by our staff, students and ultimately their employers; a reduction in the fee that can be charged may well necessitate a reduced offering.

Like many other universities Bath has been successful in increasing the number of overseas students that wish to study in the UK. Overseas students form a key part of the fabric and culture of the University and are economically important in the short term to the University and the local economy and in the long term to the wider UK economy. By including overseas students in its calculations for immigration controls The Government runs the risk of making the UK appear less open to genuine students.



The research funding environment remains a concern. The University has fared better this year in maintaining its Research Council income and the strategy employed to address the Research Councils' intention to fund larger projects is showing some indications of success. Nevertheless, the pressure on the Government to reduce public sector borrowing may well affect the funds made available to the Research Councils in the future to the immediate detriment of the sector and the longer term detriment of the economy.

The University has mitigated some of the volatility risk associated with the purchase of utilities but will still be impacted by the seemingly inevitable increase in prices. Meeting its carbon targets remains a priority but managing this whilst continuing to grow is a significant challenge.

The increase in the Local Government Pension Scheme (LGPS) liability highlights the significance of the cost of pension provision to the University. The University is committed to maintaining a high quality pension provision for its staff however, the increasing cost of these schemes needs to be managed so that the University's long term financial sustainability is maintained.

I am pleased to report that the University is extremely well placed to be successful in the new regime. Its commitment to high quality teaching and research remains central to this success and it is pleasing that the University's qualities are increasingly becoming recognised externally. Nevertheless, the University is not immune from wider changes to the sector; increasing the £9000 fee cap in line with inflation, ensuring overseas students are able to come to UK Universities to study without undue barriers being placed in their way and the funding made available for research are key to the University in the coming years.

## Income

Total income increased marginally in the year by £2.6m. This is a much smaller increase than in recent years and as the table below shows is largely a result of the reduction in Funding Council Grants.

	2012	2011	% inc/(dec)
Funding council grants	58.5	61.5	-5%
Tuition fees and education contracts	70.7	67.2	5%
Research grants and contracts	27.4	27.7	-1%
Accommodation and hospitality	19.6	19.2	2%
Other services rendered	7.7	7.2	7%
Other income	12.7	11.2	13%
<b>Total Income</b>	<b>196.6</b>	<b>194.0</b>	<b>1%</b>

Higher Education Funding Council for England (HEFCE) non-specific grant reduced by £3.1m in the year of which £2.6m was part of the funding changes announced in the 2010 Comprehensive Spending Review. The increase in tuition fees will not have an effect until 2012-13 so the slowdown in income growth had been anticipated by the University.

Tuition fees increased by 5% with the most significant increase being seen in home/EU undergraduate fee income which rose by 7%. Home/EU postgraduate fee income increased by 6% and full-time overseas fee income showed a 4% increase. Growth was particularly notable in the departments of Psychology, Electronic and Electrical Engineering, Biology and Biochemistry, Architecture and Civil Engineering and Health all of which grew by more than 10%.

Research income reduced marginally (£0.4m) due to a reduction in activity on UK charitable body contracts. The

reduction that I reported last year on Research Council Income was not repeated this year but the increase in efficiency savings required by the Research Councils and the termination of a project in the Faculty of Engineering have reduced the contribution made by Research even though the income was largely unchanged. The University's strategy to focus more on larger and collaborative bids has started to prove successful with an increase in the value of applications and of contracts won, although this was not reflected in income during the year.

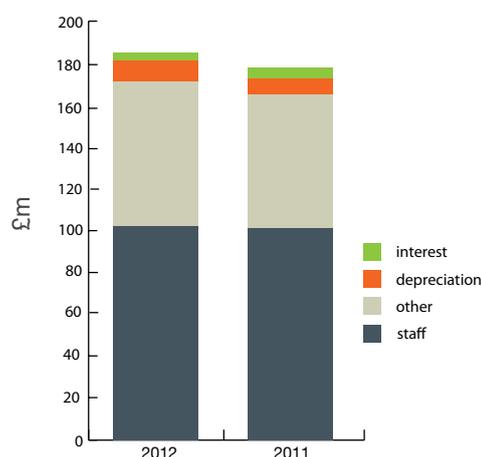
Accommodation and hospitality income grew by £0.4m this is primarily due to the inflationary increase in rent charges. Other services rendered increased by £0.5m mainly as a result of new commercial contracts for Mechanical Engineering and an increase in income from the use of the University's sports facilities in part due to the hosting of several teams prior to the Olympic Games.

Other income rose by £1.6m in large part due to the increase in investment income detailed later in this report.

## Expenditure

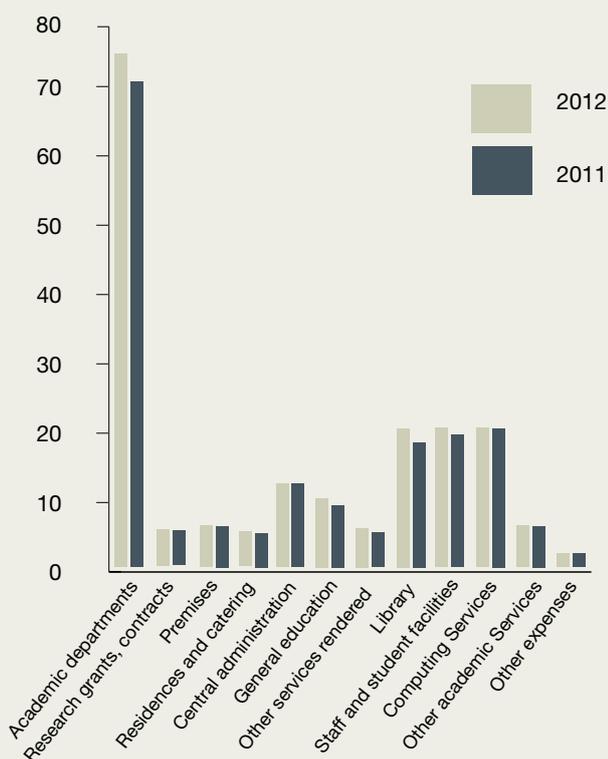
Whilst cost control remains a priority for the University there has been increased expenditure in key elements of the University's activity and support services during the year.

The chart below shows expenditure by cost type as shown on the Income and Expenditure Account. Staff Costs have increased by 3% and represent 53% of income compared to 52.4% in 2010/11. This has been despite a relatively low pay settlement and is due to a planned investment in new academic staff. Operating expenses increased by 8% principally in academic departments and student facing services. Depreciation rose by 14% reflecting the increase in capital investment in previous years and interest payable was 3% higher.



The chart below shows the absolute expenditure by activity as reported in note 8. This shows that the largest area of increase was in Academic departments. During the year the University invested approximately £1.0m in new academic staff, academic departments also increased their expenditure on the student experience, facilities and recruitment so that total expenditure increased by £3.6m.

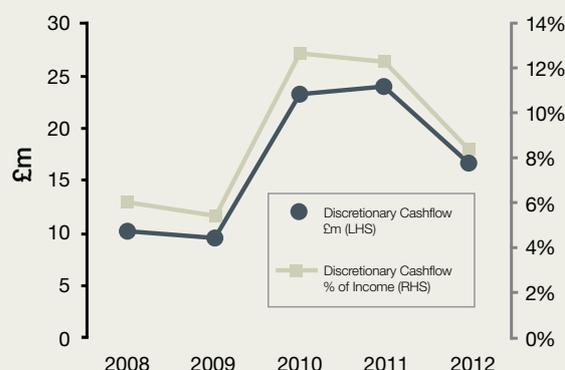
Library expenditure increased as was expenditure on recruitment which formed part of the increase in general educational expenditure. Utility costs increased by £0.8m during the year due to price rises and the greater number of buildings. This increase is reflected in both premises and residences. Premises costs also increased as a result of greater expenditure on both general and long term maintenance. The cost of central administration was 2% lower than in 2010-11.



## Cashflow

Operating cashflow was very satisfactory at £19.0m albeit below the record levels of the last two years (note 27). The University monitors its discretionary cashflow as a measure of funds available for investment in the physical and intellectual assets of the University and for the repayment of its loans.

The ratio of discretionary cashflow to income was above what the University would expect to be the long term average during 2009-10 and 2010-11 and these additional funds have been invested in both academic



staff and in financial investments. The 2011-12 ratio of 8.4% is at a level that the University would expect as an average in the longer term and will support the University's growth plans. The movement in stock, debtors and creditors had a £1.6m positive effect on cash compared to a £2.2m benefit in the prior year. Whilst this is largely down to good practice, these gains cannot recur indefinitely and may reverse at some point reducing the cash available for investment.

## Treasury

The University's Treasury strategy has been unchanged through the year as it has continued to invest in assets with a very low capital risk for those funds which are required for investment in both the physical and academic infrastructure. I commented last year on the strong performance of the University's Gilts investment and this continued in 2011-12. In February the University crystallised some of this gain by selling the medium term gilt portfolio and placing these funds in fixed deposits. This sale and the operating cash generated in the year have increased the level of deposits by £28m to £53m (note 17). The University continues to hold £8.3m in certificates of deposit with a typical term of 90 days.

The University will use a part of these deposits in funding the capital expenditure programme that was approved at the end of 2011-12. It is also intended that the University will fund part of the expansion with an increase in borrowing whilst retaining sufficient funds to enable it to take advantage of any opportunities that might arise over this period.

During the year both of the existing loans reached their 5th anniversaries and the start of their repayment schedule. During the year £1m of the £104m was repaid.

The very strong cash generation seen in the previous financial years has enabled the University to make a longer term investment of £5m in equities. Funds were placed with Investec Wealth Management in November 2011.

## Consolidated Balance Sheet

Net Assets increased by £3.9m in the year to £170.3m. Compared to recent years this was a modest increase brought about by the lower surplus and by a £7.2m increase in the LGPS pension liability.

The increase in the pension liability is mostly attributable to an actuarial loss of £6m shown in the STRGL which is a function of the reduced levels of discount and inflation rates assumed in the calculation. These rates and the changes from the prior year can be seen in note 33.

The larger University Superannuation Scheme (USS) pension scheme is a multi-employer scheme and so does not appear on the balance sheet of any institution. In June 2012 the triennial actuarial valuation as at 31 March 2011 was published which showed a £2.9bn shortfall compared to a £0.7bn surplus three years earlier. Measures have been taken by the Trustee Board, in consultation with employers, to address this shortfall over the coming years.

In my report last year I noted the changes made to the USS in order to maintain a high quality benefit for the employee whilst making a more affordable and lower risk scheme for the employer. Nevertheless, the risks associated with defined benefit schemes through increased longevity and financial returns remain considerable. The increase in the LGPS liability illustrates the need for the LGPS to address its structure to ensure that a high quality scheme is affordable in the future.

Elsewhere on the balance sheet tangible assets decreased marginally as the level of capital expenditure was matched by the depreciation charge. Debtors reduced by £1.0m, a function of lower prepayments and lower research and commercial debts. Creditors reduced by £1.4m in comparison with last year. The increase in Investments of £11.3m has been described previously.

## Estate Developments

In July 2012 the University announced a 3 year campus improvement programme which will further enhance the student experience and provide additional world class research facilities. The refurbishment of 1 West and the addition of a new General Teaching Building, Student Accommodation Complex and Centre for the Arts will ensure that the University remains an inspiring place to work and will provide cultural benefits for students, staff and the wider community. These developments are part of the University's Master plan 2009-2026 and have a total investment of £105m including associated infrastructure projects.

Of the £10.8m of capital expenditure in the year £5.2m was on assets under construction, being some initial

costs of the projects described above and the work done to date on the refurbishment of 1W. A further £4.5m was invested in equipment and £1.2m on leasehold improvements primarily relating to the upgrading of the off-campus residences.

During the year the University has made further progress in achieving the goals set in the Carbon Management Plan (CMP). The University's aim in the CMP was to reduce CO2 emissions from its activities by 43% from its base in 2005 by 2020. To date emissions have fallen by 13% despite the increase in the size of the University's Estate. Nevertheless, progress is behind that planned in the CMP and as I highlighted last year the targets for carbon reduction are very challenging.

This year has been the first full year when the University has been subject to the Carbon Reduction Commitment; whilst this has effectively become a carbon tax the initial rankings published in October 2011 were very positive for the University being ranked 30th of around 4,000 organisations and the second highest University.

Energy costs increased significantly when compared with last year and the University's expectation is that prices will continue to be volatile but over time will increase above the rate of inflation. A challenge for the University in the coming years will be to sufficiently reduce its carbon footprint whilst it undergoes a period of growth in both its teaching and research activity.

To conclude, I believe the University has performed strongly during the year in delivering its key objectives relating to teaching and research. This performance has enabled an excellent financial outcome. The change to a market for home and EU undergraduates is now a reality and whilst I have noted the principal risks earlier in this report the University is well placed to benefit from these opportunities and in doing so to further enhance its reputation.

**Peter Wyman**  
Treasurer

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# Public Benefit Statement 2011-12

Our **Mission** is to deliver world class research and teaching, educating our students to become future leaders and innovators, and benefiting the wider population through our research, enterprise and influence.

The commitment to delivering public benefit is at the core of our Mission. Our Mission was approved by members of Council, the University's trustees, as part of the approval of our Corporate Plan 2009/10- 2013/14. Our Mission derives from our Objects to "**advance learning and knowledge by teaching and research**, particularly in science and technology, and in close association with industry and commerce". These Objects are set out in our Charter.

In furtherance of our Mission, our key corporate goals are to:

- promote research of international excellence and impact through the development of our intellectual and physical capacity;
- deliver high quality, professional education that is intellectually challenging, offering excellent career prospects, a supportive environment for personal development, and equality of opportunity to anyone with the academic ability to benefit;
- encourage a culture of creativity, enterprise and innovation, maximising the beneficial economic and social impact of our intellectual assets;
- raise our international profile by developing strategic partnerships, increasing the visibility of our research and teaching, strengthening our alumni networks and influencing policy on global issues.

In its oversight of the delivery of these corporate goals, the University's Council has due regard to the Charity Commission's guidance on public benefit.

We are one of the largest employers in Bath & North East Somerset, with over 2,500 employees. Our 2011 Staff Satisfaction Survey showed that 84% of respondents thought the University was a good place to work.

## Research of international excellence

In addition to advancing knowledge, the University's research has a wide range of public benefits:

- stimulating economic development;
- informing public policy and the professions;
- innovating, informing and inspiring;
- building international connections.

In 2011-12, the value of our research portfolio was £91,253k.

In accordance with our Mission, our goal is to benefit society in general and our research ethos has a strong focus upon impact, tackling challenges of global significance from sustainability to health and wellbeing. We believe that our research should be of benefit to society and should achieve the highest standards of international excellence. Our faculty comprises some of the finest researchers from around the world. For more about our research visit <http://www.bath.ac.uk/research/>.

Our research has tangible economic and social benefits, for example:

- Our researchers have shown for the first time how climate change is having a major impact on a key test to measure metabolism, known as 'indirect calorimetry'. This test was developed over a 100 years ago based on assumptions about the amount of oxygen (O<sub>2</sub>) and carbon dioxide (CO<sub>2</sub>) in the air we breathe. We have found that changes in the atmosphere mean the metabolic assessment could be inaccurate by up to seven per cent.
- Our researchers have shown that employers play a key role in influencing people's decisions over retirement and extending their working life. People tend to limit their consideration of options to choices they are presented with and are prone to be tempted by short-term financial gains, such that they make decisions which may not be in their long term interest.

We work proactively to ensure that our research is disseminated and understood beyond the world of academia. We have recently established a Public Engagement unit to support this work. We offer a range of public lectures which are free to attend. We utilise a wide variety of media to disseminate knowledge beyond the confines of campus, including Twitter and Facebook.

We believe that there is a clear public benefit in having an informed population, both nationally and internationally, particularly where complex global issues are concerned. We are proactive in engaging the media with our research work and publish a Directory of Expertise so that the media can readily access expert comment on topical issues.

## High quality education

In addition to disseminating knowledge, the University's teaching has a wide range of public benefits:

- developing people;
- innovating, informing and inspiring;
- building international connections.

We are a first choice university destination for students in an increasingly competitive, international recruitment market. Students are attracted by our excellent academic reputation, our outstanding graduate employment record, our world class sports facilities, and the wide array of other social, recreational and personal development opportunities we offer. Our ability to offer placement options across our discipline base, and with leading organisations, is unique amongst UK research universities. Our graduates have excellent employment prospects, not only because of their discipline-specific knowledge and skills but also because of the emphasis we place on developing well-rounded, enterprising individuals with high aspirations. As a result, our graduates are well-equipped to contribute to economic and policy development, as well as making a positive social contribution.

In 2011-12, our core student population comprised 10,379 undergraduates, 3,361 taught postgraduates and 1,162 research postgraduates. Our completion rates are some of the best in the sector and in the latest National Student Survey we were ranked 5th for overall student satisfaction.

The beneficiaries of our teaching activities range from primary school age (aspiration raising/mentoring) through to mature learners (continuing professional development), and include undergraduates, taught postgraduates and research postgraduates. We recruit internationally and are committed to promoting a diverse student population.

Our goal is a socially inclusive and diverse student population. We support social mobility through a range of activities:

- **Aspiration raising and outreach activities for young people** from under-represented groups, with special emphasis on Science Technology, Engineering and Mathematics, (STEM) subjects and on activities for learners identified as Gifted or Talented;
- **Diversifying our curriculum offer**, delivery methods and modes of learning to attract a wider range of students;
- **Promoting access and minimising barriers to progression** by working to better understand and to mitigate the difficulties some applicants experience in achieving an offer from us;
- **Enhancing student services and support networks** to minimise barriers to retention.

In developing our Access Agreement 2013, we have addressed some of the financial barriers to participation in our undergraduate programmes by targeting applicants (excluding franchised Foundation Degree (FD students) from families with household incomes up to £16,000. We plan to offer both a tapering fee waiver scheme and a tapering bursary scheme. We have adopted this

approach because we wish to deliver our access targets and we believe that it is essential to give new starters maximum reassurance about the affordability of study in their first year. Once they have committed to, and are settled into, study at the University of Bath, we are confident that the combination of our existing resources, the Joblink scheme (paid part-time employment), our high quality (mostly paid) placements (bringing in income in the third year), and our hardship scheme, coupled with the tapering fee waivers and bursaries, will enable the students to feel confident about the ongoing affordability of their study.

Working in close partnership with the Students' Union, the University offers a wide range of opportunities for personal development, including volunteering, summer internships, personal development and skills training. Volunteering opportunities for students include mentoring students experiencing difficulties with their studies in two local schools, Culverhay Boys School and Ralph Allen School, tutoring in local schools as volunteer classroom assistants, organising small scale local community projects and fundraising. Hundreds of students volunteer every year.

The Bath Award, launched in 2009/10, provides an accreditation framework so that students can present all the transferable skills, competences and capabilities demonstrated through their extra-curricular activities to employers in a systematic fashion. Students are required to undertake at least 100 hours of extracurricular activity, at least three skills training sessions and reach the required standard in a set of key skill areas: teamwork, leadership, communication, commercial awareness and problem-solving.

Students can also volunteer to help with outreach activities, encouraging gifted and talented young people from socio-economic groups under-represented in Higher Education, to raise their educational aspirations. We provide a supportive learning environment, with central student services and academic departments working in partnership, and have one of the highest retention and success rates in the UK. We have an excellent record for supporting students with disabilities to the successful completion of their studies. We encourage students from diverse backgrounds and provide financial support

Students can also volunteer to help with our public engagement activities, particularly the annual 'Bath taps into Science' event in the city designed to enthuse members of the community about science.

We are also keen to ensure that our students and graduates have a strong awareness of the environmental impact of their actions. Students in campus residences are encouraged to take part in an annual competition to reduce energy use and we are increasing opportunities for students to recycle waste materials.

## Creativity, Enterprise and Innovation

The knowledge that we generate through our research and teaching activities can be exploited to achieve a number of public benefits:

- innovating, informing and inspiring;
- engaging communities and working in partnership;
- stimulating local economic and social development;
- building international connections.

We are sector leaders in the commercial exploitation of intellectual property (IP) and the establishment of international links for exploitation of IP. Our strength in knowledge transfer helped to secure one of only 12 Engineering and Physical Sciences Research Council (EPSRC) Knowledge Transfer Accounts to exploit research more effectively for the benefit of the UK's economy and society. Our Innovation Centre, a model of best practice for business incubation, is creating a new base of high technology, high yield businesses in the City of Bath. It was expanded for 2010-11 and can now offer conference and training facilities for local businesses as well as test facilities. At a regional level, we are co-ordinating a number of advanced technology sector networks, including Silicon South West and Low Carbon South West. We are also working with partners to establish a new science park facility for our region.

Enterprise@Bath, a resource for the whole University community, is aimed at creating tomorrow's business leaders and fostering an innovative culture. It signposts sources of skills development, funding and support. We offer enterprise education for students and they are encouraged to develop entrepreneurial skills. A number of students develop business models or launch their own businesses whilst studying. As part of our culture of creativity, enterprise and innovation, we seek to make a positive social, as well as economic, impact.

We have outstanding sports facilities and offer a programme of community sport, TeamBath Tribe, encouraging young people in particular to engage in sporting activities. We also send coaches to schools to deliver sport within curriculum time, breakfast, lunch and after-school clubs. We also host out-of-term time sports activities for children and during term time host a wide range of activities working with multiple partners including local education authority, the school sports partnership, youth sports trust, county sports partnership, British Olympic Foundation and National Governing Bodies.

We also offer a public arts programme curated around an annual theme. The season includes visual arts, theatre, dance and music with an interdisciplinary emphasis,

including exhibitions, films, discussions, practical workshops and classes. We support new arts projects, residencies, training opportunities, seminars and symposia exploring interdisciplinary arts practice.

## International Profile

We believe that there is a benefit to our academic activities in having a truly international culture on campus. Our ability to attract internationally renowned researchers contributes to our capacity to contribute to the regional and national knowledge economy. Through our international connections we can provide a conduit to disseminate best international practice and cutting edge research locally, regionally and nationally.

We also believe that a culturally diverse student population makes a positive impact on the experience of all of our students. During 2011/12, we appointed a new Pro-Vice-Chancellor (Internationalisation) to provide enhanced academic leadership for our international activities.

In addition to the international profile of our teaching and research activities, we are forging international connections through our alumni network and our world class sports facilities.

We have over 80,000 alumni, representing 150 countries, and provide support for 10 international alumni chapters, including Australia, China, Greece, India, Japan, Singapore, South Korea, Taiwan and USA.

## Public detriment

We do not believe that there is any direct harm or detriment to the public arising from our Mission and corporate goals. However, we do recognise that our activities have environmental consequences and we have made a number of commitments to promote effective environmental management:

- continually improve our environmental performance as far as the constraints of our physical infrastructure and estate will permit;
- make the most efficient and effective use of all resources, encouraging members of our community to develop a sustainable approach;
- minimise carbon emissions from regular commuting to and from campus by encouraging the use of public transport, cycling or walking;
- develop and implement effective energy and water conservation measures;

## Public Benefit Statement

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- reduce overall waste production and increase the recycled component of the waste stream;
- implement a procurement policy that will include consideration of sustainability in all tender evaluations;
- work with our suppliers to help us achieve our sustainable and socially responsible procurement policy aspirations in the delivery of our products and services;
- support the principles of fair trade and maintain our Fairtrade status;
- manage our grounds in an environmentally and biodiversity-sensitive manner.

We are fully committed to reducing carbon emissions and were the first UK HEI to undertake the Carbon Trust's Higher Education Carbon Management process in its 'pre-pilot' phase in 2003. Our initial carbon reduction target was to reduce CO<sub>2</sub> emissions from gas combustion and electricity usage by 12.5% from a 2003/04 baseline of 0.11 tonnes/m<sup>2</sup> building floor area by 2010, which we achieved by December 2010. Our current Carbon Management Plan builds on this success and we are implementing a number of projects that will produce further reductions towards our aspirational 2020 target of a 43% reduction against a 2005 baseline.

We seek to promote the highest standards of scientific and professional integrity and to give due consideration to the ethical, social and environmental issues arising from our activities. In advancing knowledge to improve health and wellbeing, we undertake various projects in medical research and medically-associated biological research. This work is funded by the Medical Research Council, the Biotechnology and Biological Sciences Research Council, and major medical charities including the Wellcome Trust, Cancer Research UK, British Heart Foundation, Arthritis Research Campaign and Diabetes UK. Research in the UK involving vertebrate animals is regulated, within the framework of the Animals (Scientific Procedures) Act 1986, by the Home Office Animals Scientific Procedures Division and Inspectorate. All work on vertebrate animals is conducted under Home Office Licence. This means that any projects we undertake have been through an ethical review process, and have then been assessed by a Home Office Inspector to ensure that the benefits from the research outweigh any possible discomfort to the animals.

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# Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. The University complies in full with the Governance Code of Practice adopted by the Committee of University Chairmen (CUC) in November 2004, and revised in February 2009. The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011.

This summary describes the manner in which it has applied the principles set out in the Codes. Its purpose is to help the reader of the accounts understand how the principles have been applied.

## Summary of the University's Structure of Corporate Governance

The University's governing body is its Council. This comprises lay, academic and non-academic persons, appointed under the Statutes of the University, the majority of whom are non-executive. The lay roles of Chair of Council and Treasurer are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specifically reserved to the Council for decision are set out in the Statutes of the University, and under the Financial Memorandum with the Higher Education Funding Council for England. The Council, with the Senate, determines the ongoing strategic direction of the University; it approves major developments and receives regular reports from executive officers on the day-to-day operations of its business and its subsidiary companies.

The University is an exempt charity as defined by the Charities Act 2006 and members of its Council are therefore trustees of the charity. The Higher Education Funding Council for England acts as principal regulator in respect of the University's HEFCE status as a charity.

Council normally meets five times a year. Its committees include Finance Committee, Nominations Committee, Remuneration Committee and Audit Committee. All of these committees are formally constituted with terms of reference and include lay members of Council, one of whom is the chair.

The Finance Committee, *inter alia*, recommends to Council the University's annual revenue and capital budgets and receives updates to the estimates during the course of a year. It also supervises the investment activity of the University.

The Nominations Committee considers nominations for membership of Council and its Committees, including the key roles of Chair of Council, Pro-Chancellor and Treasurer. The Remuneration Committee determines the annual remuneration of the Vice-Chancellor, Deputy Vice-Chancellor, Pro-Vice-Chancellors, Deans of Faculties/Schools and senior administrative officers.

The Audit Committee, on behalf of Council, has an ongoing programme for reviewing the effectiveness of the University's system of internal control. It is responsible for meeting with the external auditors and the internal auditor of the University and reviews and discusses reports issued. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans and monitors the progress of these plans. It also 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. Whilst senior executives do attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee meets with the external auditors on their own for independent discussions.

In accordance with the CUC Governance Code of Practice, Council keeps its effectiveness under regular review. A full effectiveness review of Council was undertaken during 2011/12. It concluded that the University may have a high level of confidence in the effectiveness of Council. Its recommendations are to be implemented in 2012/13.

Members of Council sign an annual declaration of guiding principles stating that they will act in accordance with the University's guidance on corporate governance and with the principles on the proper conduct of public business and accepted standards of behaviour in public life as set out in the CUC Guide for Members of Higher Education Governing Bodies in the UK. A register of interests is maintained and updated annually.

## Statement of Internal Control

As the governing body of the University of Bath, 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 it 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 University has established the following processes in relation to its risk management policy and for reviewing the effectiveness of the system of internal control:

- Council normally meets five times a year to consider the plans and strategic direction of the University;

- Council has established that the Executive Committee, the senior management team of the University, be the body that oversees risk management at the institution;
- Risk management forms part of the annual planning cycle of the University and covers all risks – governance, management, quality, reputational and financial;
- Academic and central departments have risk registers in place, which are updated annually as part of the planning process and form part of the agenda of planning meetings;
- The University maintains a corporate risk register which is updated annually and progress on improvement actions is reviewed. The risk register includes an evaluation of the likelihood and impact of risks becoming a reality;
- Council receives a report focusing on two specific risks from the corporate risk register at each of its meetings. Annually, it receives an overall report for the year, and an updated register;
- Council annually reviews the effectiveness of the risk management process and internal controls;
- The Audit Committee receives regular reports from the Head of Internal Audit on specific areas of internal control together with recommendations for improvement. Audit planning arrangements and the methodology and approach of internal audit conforms to the latest professional standards reflecting the adoption of risk management techniques.

Council's review of the effectiveness of the system of internal control is informed by the Internal Audit unit, which operates to standards defined in the HEFCE Accountability and Audit Code of Practice. The internal auditors submit regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

Council's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within 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.

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 nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2012 and up to the date of approval of the financial statements, has operated effectively throughout the year and accords with HEFCE guidance.

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# Statement of Responsibilities of the University's Council

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

The primary responsibilities of the Council are:

- approving the mission and strategic vision of the institution, long-term business plans, key performance indicators (KPIs) and annual budgets, and ensuring these meet the interests of stakeholders;
- appointing the head of the institution as chief executive of the institution and putting in place suitable arrangements for monitoring his or her performance;
- ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and clear procedures for handling internal grievances and for managing conflicts of interest;
- monitoring institutional performance against plans and approved KPIs, which should be, where possible and appropriate, benchmarked against other institutions.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice: Accounting for Further and Higher Education, 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 Group and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Council is satisfied that the Group 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 from the Training and Development Agency for Schools are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Higher Education Funding Council and the Funding Agreement with the Training and Development Agency for Schools, and any other conditions which the Funding Council or Agency 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 Group and prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the Group's resources and expenditure.

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# Membership of University of Bath Council

(between 1st August 2010 and 24th November 2011)

Mr Peter Troughton	Chair of Council
Mr David Medlock	Pro-Chancellor (to 31st December 2011 and from 1st April 2012)
Mr Keith Woodley	Pro-Chancellor
Sir Julian Horn-Smith	Pro-Chancellor
Mr Peter Wyman	Treasurer
Professor Dame Glynis Breakwell	Vice-Chancellor
Professor Kevin Edge	Deputy Vice-Chancellor
Dr Steve Wharton	Chair of Academic Assembly (to 31st July 2012)
Dr Michael Carley	Chair of Academic Assembly (from 1st August 2012)
Mr Peter Freeman	Appointed by Council
Dr Michael Hipkins	Appointed by Council
Mr Raoul Hughes	Appointed by Council
Mr Thomas Sheppard	Appointed by Council
Mrs Ruth Foreman	Appointed by Council
Mr David Gould	Appointed by Council (to 31st July 2012)
Mr Mark Hawkesworth	Appointed by Council
Mr Roger Whorrod	Appointed by Council
Mr John Stanion	Appointed by Council (from 1st August 2012)
Mr Stuart Appleton	Appointed by Convocation
Dr Momna Hejmadi	Elected by Senate
Professor Jonathan Knight	Elected by Senate
Dr Frances Laughton	Elected by Senate
Professor Gareth Price	Elected by Senate
Dr Aki Salo	Elected by Academic Assembly
Miss Angela Harrington	Elected by Non-Academic Staff (to 30th June 2012)
Ms Marie Morley	Elected by Non-Academic Staff (from 1st August 2012)
Mr David Howells	Student Member (to 22nd June 2012)
Mr Matej Benka	Student Member (to 22nd June 2012)
Mr Christopher Clements	Student Member (from 25th June 2012)
Mr Alexander Pool	Student Member (from 25th June 2012)

# Independent Auditor's Report to the Council of the University of Bath

We have audited the Group and University financial statements (the "financial statements") of the University of Bath for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University's Council, in accordance with the Charters 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 the auditors

As explained more fully in the Statement of Responsibilities set out on page 14 the University's Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The maintenance and integrity of the University of Bath's website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University's Council; and the overall presentation of the financial

statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

## Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes;
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and Group.



E Holiday  
for and on behalf of KPMG LLP  
Statutory Auditor, Chartered Accountants  
100 Temple Street  
Bristol BS1 6AG  
United Kingdom

29 November 2012

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# Statement of Principal Accounting Policies

## 1 Accounting Convention

The financial statements have been prepared under the historical cost convention modified by the revaluation of endowment asset investments and certain tangible fixed assets for which a cost is not readily ascertainable. This is in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP), as revised in October 2007, and applicable accounting standards.

The financial statements have been prepared on a going concern basis. The Group has substantial reserves and forecast continuing surpluses. The Council is therefore satisfied that the Group has adequate resources to continue in operation for the foreseeable future.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

## 2 Basis of Consolidation

These financial statements consolidate the results of the University and its subsidiary undertaking for the financial year to 31 July 2012.

The consolidated financial statements do not include those of the University of Bath Students' Union as it is a separate organisation over which the University does not exercise dominant control.

## 3 Recognition of Income

Income from funding council block grants is Income from funding council block grants is accounted for in the period to which it relates. Fee income is stated gross of bursaries, but net of discounts, over the period in which the students are studying.

Income from research grants and contracts, and specific grants, is included to the extent of the expenditure incurred during the year, together with any related contribution towards overhead costs. All income from short-term investments and deposits is credited to the Income and Expenditure Account on a receivable basis. Income from investments held as endowment assets is also credited on a receivable basis.

## 4 Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at 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.

## 5 Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations is treated as finance charges, which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

## 6 Pensions

The two principal pension schemes in which the University participates are the Universities Superannuation Scheme (USS) and the Avon Pension Fund (a local government pension scheme), both of which are defined benefit schemes, externally funded and contracted out of the Second State Pension. Both funds are externally valued, normally every three years, by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries based on the latest actuarial valuations of the schemes.

Where the University is unable to identify its share of the underlying assets and liabilities in a scheme it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total of contributions payable in the year. This is the position with USS.

Where it is possible to identify its share of the underlying assets and liabilities in a scheme it accounts as if the scheme were a defined benefit scheme under FRS 17. This is the case with the Avon Pension Fund. The current service cost of providing retirement benefits to employees during the year, the cost of providing amendments to benefits in respect of past service and any gains and losses on settlements and curtailments are charged to the operating surplus or deficit in the year within staff costs. The expected return on the

# Statement of Principal Accounting Policies

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University's share of scheme assets and interest on its liabilities are netted off and shown as a net return or net cost either within endowment and investment income or within interest payable as appropriate. Changes in the pension surplus or deficit due to changes in actuarial assumptions and to differences between actual and expected returns on assets are reported in the Statement of Total Recognised Gains and Losses. The University's share of the surplus or deficit of the scheme is recognised as an asset or liability on the Balance Sheet.

## 7 Investments

Fixed assets investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value. Endowment asset investments are included in the Balance Sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

## 8 Stocks

The principal stocks are held in catering, building maintenance, printing, stationery and postage held centrally and some distance learning materials. They are valued at the lower of cost and net realisable value.

## 9 Maintenance of Premises

The cost of routine corrective maintenance is charged to the Income and Expenditure Account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis. Actual expenditure on planned maintenance is charged to the Income and Expenditure Account as incurred.

## 10 Provisions

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

## 11 Land and Buildings

Land and buildings are stated at cost. Land is not depreciated as it is considered to have an indefinite useful life. New buildings are depreciated over a period of 50 years on the basis that their average expected life is in excess of this period. Purchased buildings with a shorter expected economic life are depreciated accordingly. Building refurbishments

are depreciated over a period of 25 years. Where a building is listed and has historical value, the policy is to maintain that building so that it has an indefinite useful life.

Assets under construction are capitalised, but not depreciated until the beginning of the year following occupation.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

Interest is capitalised where it is incurred in the construction of new buildings which are substantially funded by loans arranged by the University. The cost is depreciated in line with the building.

## 12 Equipment

Equipment costing less than £10,000 per individual item is written off in the year of acquisition unless it forms part of a group of related items or part of a capital project, in which case it is capitalised if the total cost exceeds £10,000. Individual items of equipment costing in excess of £10,000 are capitalised.

Capitalised equipment is stated at cost or, where donated, at valuation, and depreciated, on a straight line basis, as follows:

General equipment - 5 years

Furniture - 5 years

Catering equipment - 7 years

Equipment required for specific grants  
- project life  
(generally 3 years)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).

Where equipment is donated, the asset is recorded at valuation. The donation is recorded as income in the income and expenditure account in the year it is received.

## 13 Taxation Status

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 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. The University receives no similar exemption in respect of Value Added Tax.

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

## 14 Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if, in practice, they are available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, equities and loan stock held as part of the University's treasury management activities. They include any such assets held as Endowment Asset Investments.

## 15 Accounting for Charitable Donations and Endowments

Charitable donations that are not to be retained for the benefit of the institution are treated as income and recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Where charitable donations, other than for tangible fixed assets, are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution;
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can expend the sum donated in pursuance of this objective;
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset. Where that asset is the purchase of land, then the full amount of the deferred capital grant is released in the year of purchase and taken to the income and expenditure account as a donation in other income.

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

# CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 July 2012

	Note	2012	2011
Income		£000	Restated £000
Funding council grants	1	58,535	61,466
Tuition fees and education contracts	2	70,737	67,236
Research grants and contracts	3	27,358	27,747
Other income	4	36,650	35,422
Endowment and investment income	6	3,368	2,093
		<hr/>	<hr/>
Total income		<b>196,648</b>	193,964
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff costs	7	104,154	101,542
Other operating expenses	8	66,950	61,885
Depreciation	8	10,959	9,589
Interest payable	9	3,609	3,510
		<hr/>	<hr/>
Total expenditure		<b>185,672</b>	176,526
		<hr/>	<hr/>
Surplus after depreciation of tangible fixed assets at cost/valuation and before exceptional items		<b>10,976</b>	17,438
Write-down of fixed asset investments	11	(404)	(420)
Exceptional Items :			
Surplus on disposal of assets	12	246	74
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax		<b>10,818</b>	17,092
Transfer from accumulated income in endowment funds	15	23	29
		<hr/>	<hr/>
Surplus for year retained within general reserves		<b>10,841</b>	17,121
		<hr/>	<hr/>

*The consolidated income and expenditure account is wholly in respect of continuing operations.*

*All assets are stated in the financial statements at historical cost. Therefore no adjustments are required to the reported surplus, which is stated on an unmodified historical cost basis.*

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# CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended 31 July 2012

	<b>Note</b>	<b>2012 £000</b>	<b>2011 £000</b>
Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax		10,818	17,092
New endowments	22	71	281
Decrease in market value of endowment investments	23	(78)	(45)
Actuarial (loss) in respect of pension scheme	33	(5,969)	(73)
Total recognised gains relating to the year		<u>4,842</u>	<u>17,255</u>
<b>Reconciliation</b>			
Opening reserves and endowments		72,215	54,960
Total recognised gains in year		4,842	17,255
Closing reserves and endowments		<u>77,057</u>	<u>72,215</u>

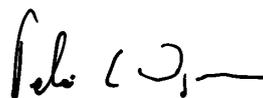
# BALANCE SHEETS AS AT 31 JULY 2012

	Note	Consolidated		University	
		2012 £000	2011 £000	2012 £000	2011 £000
<b>Fixed Assets</b>					
Tangible assets	13	229,949	230,074	232,952	233,577
Investments	14	<u>1,240</u>	<u>1,655</u>	<u>1,240</u>	<u>1,655</u>
<b>Total fixed assets</b>		<b><u>231,189</u></b>	<b><u>231,729</u></b>	<b><u>234,192</u></b>	<b><u>235,232</u></b>
<b>Endowment Asset Investments</b>	15	<b><u>4,361</u></b>	<b><u>4,391</u></b>	<b><u>4,361</u></b>	<b><u>4,391</u></b>
<b>Current Assets</b>					
Stock		764	757	764	757
Debtors	16	14,257	15,292	14,257	15,292
Investments	17	88,278	77,005	88,278	77,005
Cash at bank and in hand		<u>2,177</u>	<u>2,166</u>	<u>2,151</u>	<u>2,152</u>
		105,476	95,220	105,450	95,206
<b>Creditors : Amounts Falling Due Within One Year</b>	18	<b>(37,798)</b>	<b>(37,131)</b>	<b>(37,798)</b>	<b>(37,131)</b>
<b>Net Current Assets</b>		<b><u>67,678</u></b>	<b><u>58,089</u></b>	<b><u>67,652</u></b>	<b><u>58,075</u></b>
<b>Total Assets Less Current Liabilities</b>		<b><u>303,228</u></b>	<b><u>294,209</u></b>	<b><u>306,205</u></b>	<b><u>297,698</u></b>
<b>Creditors : Amounts Falling Due After More Than One Year</b>	19	<b>(100,900)</b>	<b>(103,003)</b>	<b>(100,900)</b>	<b>(103,003)</b>
<b>Net Assets Excluding Pension Liability</b>		<b><u>202,328</u></b>	<b><u>191,206</u></b>	<b><u>205,305</u></b>	<b><u>194,695</u></b>
<b>Net Pension Liability</b>	33	<b>(32,015)</b>	<b>(24,838)</b>	<b>(32,015)</b>	<b>(24,838)</b>
<b>Net Assets Including Pension Liability</b>		<b><u>170,313</u></b>	<b><u>166,368</u></b>	<b><u>173,290</u></b>	<b><u>169,857</u></b>
<b>Deferred Capital Grants</b>	21	<b><u>93,256</u></b>	<b><u>94,153</u></b>	<b><u>93,129</u></b>	<b><u>94,014</u></b>
<b>Endowments</b>	22				
Expendable		1,864	1,873	1,864	1,873
Permanent		<u>2,497</u>	<u>2,518</u>	<u>2,497</u>	<u>2,518</u>
		<b><u>4,361</u></b>	<b><u>4,391</u></b>	<b><u>4,361</u></b>	<b><u>4,391</u></b>
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	23	104,711	92,662	107,815	96,290
Pension reserve	33	(32,015)	(24,838)	(32,015)	(24,838)
Income and expenditure account including pension reserve		<u>72,696</u>	<u>67,824</u>	<u>75,800</u>	<u>71,452</u>
<b>Total Funds</b>		<b><u>170,313</u></b>	<b><u>166,368</u></b>	<b><u>173,290</u></b>	<b><u>169,857</u></b>

The Financial Statements on pages 20 to 50 were approved by the Council on 29th November 2012 and signed on its behalf by:

**Professor Dame Glynis Breakwell**  
Vice-Chancellor

**Mr Peter Wyman**  
Treasurer

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# CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 July 2012

	<b>Note</b>	<b>2012 £000</b>	<b>2011 £000</b>
<b>Net cash inflow from operating activities</b>	27	19,037	26,508
Returns on investments and servicing of finance	28	117	(776)
Capital expenditure and financial investment	29	(6,692)	(19,339)
		<hr/>	<hr/>
Cash inflow before use of liquid resources and financing		12,462	6,393
Management of liquid resources	30	(16,190)	(13,300)
Financing	31	(1,063)	(43)
		<hr/>	<hr/>
(Decrease) in cash in the period		<u>(4,791)</u>	<u>(6,950)</u>

## Reconciliation of Net Cash Flow To Movement in Net Debt

	<b>Note</b>	<b>2012 £000</b>	<b>2011 £000</b>
(Decrease) in cash in the period		(4,791)	(6,950)
Increase in liquid and current investments	30	16,190	13,300
Net decrease in loans and finance leases	31	1,063	43
Non-cash changes to net debt	32	(59)	15
		<hr/>	<hr/>
Decrease in net debt		12,403	6,408
Net debt at 1 August	32	(23,984)	(30,392)
		<hr/>	<hr/>
Net debt at 31 July	32	<u>(11,581)</u>	<u>(23,984)</u>

# NOTES TO THE ACCOUNTS

## 1 FUNDING COUNCIL GRANTS

	Consolidated	
	2012	2011
	£000	£000
<b>HEFCE grants</b>		
Core grant	51,195	54,299
Specific grants	2,062	1,664
Joint Information Systems Committee	1,726	1,846
<b>Teaching Agency grants</b>	807	1,176
<b>HEFCE capital grants</b> (Note 21)	2,745	2,481
	58,535	61,466
	58,535	61,466

## 2 TUITION FEES AND EDUCATION CONTRACTS

	Consolidated	
	2012	2011
	£000	Restated £000
Full-time UK higher education students	25,782	23,917
Full-time EU higher education students	4,515	4,392
Full time overseas higher education students	29,769	28,552
Part-time higher education students	4,040	3,936
Short course fees	1,598	1,672
Research training support grants and other fees	5,033	4,767
	70,737	67,236
	70,737	67,236

Following HEFEC guidance income and expenditure in respect of Research Training support grant is now shown gross of the expenditure on student maintenance awards. To ensure comparability with the prior year the appropriate results have been restated by an amount of £3,484k. The 2011 Expenditure restatement is shown against Academic Departments in Note 8.

## 3 RESEARCH GRANTS AND CONTRACTS

	Consolidated	
	2012	2011
	£000	£000
Research Councils	12,958	12,936
UK charitable bodies	2,475	2,960
European Commission	2,945	2,908
Other sponsors	8,980	8,943
	27,358	27,747
	27,358	27,747

Research income includes £1,604k (2011; £1,377k) of income released from deferred capital grants.

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# NOTES TO THE ACCOUNTS

## 4 OTHER INCOME

	Consolidated	
	2012	2011
	£000	£000
Residences, catering and conferences	19,574	19,168
Other services rendered (Note 5)	7,687	7,156
Miscellaneous grants	1,377	1,117
Rents	605	599
Release of deferred capital grants	786	672
Donations	742	680
VAT recovery	338	671
Health and hospital authorities	316	380
Car parking	323	345
University Nursery	284	273
Sundry EC mobility grants	59	90
Income from intellectual property rights	148	243
Other income	4,411	4,028
	<hr/>	<hr/>
	<u>36,650</u>	<u>35,422</u>

## 5 OTHER SERVICES RENDERED (see Note 4)

	Consolidated	
	2012	2011
	£000	£000
Academic departments & centres	1,857	1,594
Computing, library & other academic services	914	898
Sports and related facilities	4,504	4,329
Other	412	335
	<hr/>	<hr/>
	<u>7,687</u>	<u>7,156</u>

## 6 ENDOWMENT AND INVESTMENT INCOME

	Consolidated	
	2012	2011
	£000	£000
Income from endowments (Note 22)	79	67
Net income from short-term investments	115	27
Other interest receivable	3,174	1,999
	<hr/>	<hr/>
	<u>3,368</u>	<u>2,093</u>

# NOTES TO THE ACCOUNTS

## 7 STAFF COSTS

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	83,548	82,725
Social security costs	6,631	6,390
Pension costs (Note 33)	16,479	15,641
	106,658	104,756
less: paid on behalf of other organisations	(2,433)	(2,926)
less: capitalised within the cost of buildings	(71)	(288)
	104,154	101,542
 <b>Emoluments of the Vice-Chancellor</b>		
Salary and benefits in kind	356	284
Pension contributions	11	65
	367	349

The University has made available to the Vice-Chancellor during the year a car loan as a cost-effective means of providing the benefits to which she is contractually entitled. The car loan was in existence at the start of the year and the balance remained unchanged throughout the year at £31,489. The cost to the University of providing the loan is included in the Vice-Chancellor's emoluments.

### Remuneration of other higher paid staff

Remuneration of other higher paid staff, including employer's pension contributions (and also 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 excluded from the University's Income and Expenditure Account):

	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
£100,000 - £109,999	20	12
£110,000 - £119,999	10	12
£120,000 - £129,999	4	2
£130,000 - £139,999	-	1
£140,000 - £149,999	1	4
£150,000 - £159,999	1	-
£160,000 - £169,999	3	2

# NOTES TO THE ACCOUNTS

## 7 STAFF COSTS (continued)

Average staff numbers by major category:	2012 Number	2011 Number
Education & Research	943	918
Technical & Experimental	154	155
Management, Specialist & Administrative	808	779
Operational & Facilities Support	460	449
	<u>2,365</u>	<u>2,301</u>

## 8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs	Other Operating Expenses	Dep'n	Interest Payable	Consolidated 2012 Total	2011 Restated Total
	£000	£000	£000	£000	£000	£000
Academic departments	55,665	17,519	756	2	73,942	70,283
Academic services						
Bath University Computing Services	3,520	1,379	470	-	5,369	5,334
Library	2,758	3,352	39	-	6,149	5,706
Other academic services	3,338	1,424	176	-	4,938	4,721
Central administration	9,134	3,039	-	-	12,173	12,371
General educational expenditure	1,362	8,843	9	-	10,214	8,667
Staff and student facilities	3,196	2,511	6	-	5,713	5,344
Premises	5,308	8,348	4,854	1,109	19,619	18,002
Residences and catering operations	5,640	9,505	3,045	1,589	19,779	18,529
Research grants and contracts	10,852	7,849	1,604	-	20,305	19,851
Other services rendered	3,149	2,571	-	75	5,795	5,504
Other expenses	232	610	-	834	1,676	2,214
	<u>104,154</u>	<u>66,950</u>	<u>10,959</u>	<u>3,609</u>	<u>185,672</u>	<u>176,526</u>

Academic Department expenditure in the prior year has been restated as per Note 2

### The depreciation charge has been funded by :

	2012 £000	2011 £000
Deferred capital grants released (Note 21)	5,135	4,529
General Income	5,824	5,060
	<u>10,959</u>	<u>9,589</u>

# NOTES TO THE ACCOUNTS

## 8 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)

<b>Other Operating Expenses include :</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
External Auditors Remuneration (Group and University)		
- Audit Services	51	48
- Consolidated financial statements	11	12
- Grant claims	4	2
- US federal loan	<u>66</u>	<u>62</u>
- Other services	-	6
- IMAP review		
Operating Lease Rentals		
- Land and Buildings	4,099	3,914
- Other	<u>50</u>	<u>173</u>

Reimbursements to Council Members for expenditure incurred whilst carrying out their duties amounted to £3,969 (2011: £2,879).

Council Members did not receive any remuneration from the University.

## 9 INTEREST AND OTHER FINANCE COST

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Loans not wholly repayable within five years	2,773	2,708
Finance leases	2	5
Net interest on local government pension scheme (Note 33)	834	797
	<u>3,609</u>	<u>3,510</u>

## 10 RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest that took place in the year were conducted at arms length and in accordance with the University's financial regulations and normal procurement procedures.

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## NOTES TO THE ACCOUNTS

### 11 WRITE-DOWN OF FIXED ASSET INVESTMENTS

	Consolidated	
	2012	2011
	£000	£000
Provision made for diminution in value of fixed asset investments during the year (Note 14)		
	404	420

### 12 DISPOSAL OF FIXED ASSETS

	Consolidated	
	2012	2011
	£000	£000
Net surplus on disposal of tangible fixed assets	191	44
Surplus on sale of fixed asset investments (see Note 14)	55	30
	246	74

# NOTES TO THE ACCOUNTS

## 13 TANGIBLE FIXED ASSETS

	<b>Consolidated</b>				<b>Total £000</b>
	<b>Land and Buildings Freehold £000</b>	<b>Long Leasehold £000</b>	<b>Equipment £000</b>	<b>Assets in Course of Construction £000</b>	
<b>Valuation/Cost</b>					
At 1 August 2011					
Cost	5,435	270,402	49,487	1,012	326,336
Valuation	-	-	867	-	867
Additions at Cost	-	1,195	4,479	5,166	10,840
Transfer assets brought into use	-	2,416	126	(2,542)	-
Disposals at Cost	-	(73)	(1,780)	-	(1,853)
At 31 July 2012					
Cost	5,435	273,940	52,312	3,636	335,323
Valuation	-	-	867	-	867
<b>Depreciation</b>					
At 1 August 2011	364	55,517	41,248	-	97,129
Charge for Year	69	7,059	3,831	-	10,959
Eliminated on Disposals	-	(73)	(1,774)	-	(1,847)
At 31 July 2012	433	62,503	43,305	-	106,241
<b>Net Book Value</b>					
At 31 July 2012	<u>5,002</u>	<u>211,437</u>	<u>9,874</u>	<u>3,636</u>	<u>229,949</u>
At 1 August 2011	<u>5,071</u>	<u>214,885</u>	<u>9,106</u>	<u>1,012</u>	<u>230,074</u>

# NOTES TO THE ACCOUNTS

## 13 TANGIBLE FIXED ASSETS (continued)

	University				Total £000
	Land and Buildings		Equipment	Assets in	
	Freehold £000	Long Leasehold £000	£000	Course of Construction £000	
<b>Valuation/Cost</b>					
At 1 August 2011					
Cost	5,435	272,155	49,487	1,012	328,089
Valuation	-	-	867	-	867
Additions at Cost	-	1,195	4,479	5,166	10,840
Transfer assets brought into use	-	2,416	126	(2,542)	-
Disposals at Cost	-	(73)	(1,780)	-	(1,853)
At 31 July 2012					
Cost	5,435	275,693	52,312	3,636	337,076
Valuation	-	-	867	-	867
<b>Depreciation</b>					
At 1 August 2011	364	53,767	41,248	-	95,379
Charge for Year	69	7,559	3,831	-	11,459
Eliminated on Disposals	-	(73)	(1,774)	-	(1,847)
At 31 July 2012	433	61,253	43,305	-	104,991
<b>Net Book Value</b>					
At 31 July 2012	5,002	214,440	9,874	3,636	232,952
At 1 August 2011	5,071	218,388	9,106	1,012	233,577

Included in freehold land and buildings is a non-depreciated property, 16 Lansdown Crescent, Bath, purchased in April 2002 at a cost including refurbishment of £1,901k. In October 2009, an internal valuation was carried out by a Chartered Surveyor employed by the University, with reference to a similar property placed on the market. This valuation estimated the market value at £2,550k. The building has not been depreciated because it is a listed building with historical value considered to have an indefinite life, in accordance with the accounting policy on depreciation.

Equipment at valuation relates to assets donated to the University. These are valued at market value as at the date when they were received.

The gross amount of depreciable University assets included in buildings and assets in the course of construction is £282,654k.

The net book value of tangible fixed assets includes an amount of £115k (2011 : £182k) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £67k (2011 : £66k).

All references to assets include both Consolidated and University figures unless otherwise stated.

# NOTES TO THE ACCOUNTS

## 14 FIXED ASSET INVESTMENTS

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
At 1 August				
Investments in subsidiary companies	-	-	-	-
Other investments	1,655	1,981	1,655	1,981
	<u>1,655</u>	<u>1,981</u>	<u>1,655</u>	<u>1,981</u>
Acquisition of investments	2	193	2	193
Disposal of investments	(13)	(99)	(13)	(99)
Write-down of investments	(404)	(420)	(404)	(420)
At 31 July				
Investments in subsidiary companies	-	-	-	-
Other investments	1,240	1,655	1,240	1,655
	<u>1,240</u>	<u>1,655</u>	<u>1,240</u>	<u>1,655</u>
Balance at 31 July	<u>1,240</u>	<u>1,655</u>	<u>1,240</u>	<u>1,655</u>

Fixed asset investments were written down in the year on the basis of the most recent portfolio valuation, which indicated a £404k impairment.

### **Subsidiary companies**

The University owns 100% of the following company which is registered in England :-

<i>Company Name</i>	<i>Principal Activities</i>	<i>Share holding</i>	<i>Year end</i>
University of Bath Three Ltd	Dormant	100 £1 ordinary	31 July

The consolidated results of the Group incorporate those of the University of Bath Foundation Ltd, a not-for-profit organisation registered in the United States to fundraise in that country. The University owns 100% of the Foundation.

# NOTES TO THE ACCOUNTS

## 14 FIXED ASSET INVESTMENTS (continued)

### Other investments

Included above:		2012 £	2011 £
CVCP Properties plc	£1 ordinary shares	35,813	35,813
Warwick Advertising Ltd (formerly AdsFab Ltd)	£1 'C' ordinary shares	-	5,000
Nano-Porous Solutions Ltd	0.1p ordinary shares	6,565	3,960
Bath Crescent Seedcorn Fund	Investment	1,197,948	1,470,660
Glythera Ltd	Convertible loan	-	140,001
		<u>1,240,326</u>	<u>1,655,434</u>

The University holds the following investments as part of the Bath Crescent Seedcorn Fund :-

Company	Value £	No. of shares	%		Type of shares
			Holding at 31 July 2012	Holding at 31 July 2011	
Apitope International	90,290	119,207	1.58	1.58	A Ordinary shares
Atlas Genetics Ltd	69,880	1,178	3.77	3.77	778 Ordinary shares (0.1p) and 400 Series B Shares
Azellon	-	12,967	4.67	4.67	A Ordinary shares (0.1p)
Glythera	172,970	33,289	12.84	9.71	Ordinary shares (0.1p)
Ilika Technologies Ltd	289,024	566,704	3.49	3.49	Ordinary shares (1p)
Karus Therapeutics	-	1,297	3.61	3.61	Ordinary shares (0.01p)
KWS Biotest	19,500	39	5.20	5.20	B shares (100p)
Lectus Therapeutics Ltd	-	194,500	0.73	0.73	A Preferred shares (0.1p)
Micrima Limited	-	132,908	3.15	3.15	Ordinary shares (0.1p)
Nanotecture Group Ltd	-	291,509	1.94	1.94	Ordinary shares (1p)
Perpetuum Ltd	36,520	141,868	1.68	1.68	Ordinary shares (0.05p)
Plexus Planning Ltd	19,451	3,705	1.33	1.33	Ordinary shares (1p)
Revolymmer Limited	358,667	389,101	1.60	1.60	Ordinary shares (0.8p)
Stratophase Ltd	-	11,251	0.76	0.76	Ordinary shares (0.1p)
Symetrica	141,646	8,257	2.92	2.53	7180 Ordinary shares (0.1p) and 1077 A Ordinary shares (0.1p)
Xmos	-	131,065	0.91	0.91	Series S Ordinary shares (0.0001p)
	<u>1,197,948</u>				

Percentage holding is calculated on fully diluted ordinary shares which rank pari passu with each other.

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## NOTES TO THE ACCOUNTS

### 14 FIXED ASSET INVESTMENTS (continued)

In September 2010, a loan of £140,001 was made to Glythera Ltd, which was convertible into 18,642 shares. On 27 April 2012 the University exercised its right to convert this loan. As a result the University's shareholding in Glythera Ltd through the Bath Crescent Seedcorn Fund increased to 33,289 shares which represents a share holding of 12.84%.

In June 2011, the University's shares in Retention People Ltd were sold, proceeds of £129k were received in 2010/11. A further £59k was received in the current year which had not been recognised in 2010/11.

During the year Warwick Advertising Ltd (formerly AdsFab Ltd) was dissolved and the shares were disposed of at a loss of £5k. Shares in Ilika Technologies Ltd with a cost of £9k were sold for £10k realising a profit of £1k.

	<b>£000</b>
Disposal of investment	(14)
Cash received	69
	<hr/>
Surplus on sale (see Note 12)	<u>55</u>

*The University also holds investments in the following companies which are included at nil cost:*

<b>Company</b>	<b>No. of shares</b>	<b>Type of shares</b>
Piraeus Limited	100	100p ordinary shares
Emersons Green Development Company	500	10p ordinary shares
Xiwave Limited	4,800,000	0.1p ordinary shares
Atlas Genetics Limited	600	1p ordinary shares
Nano-Porous Solutions Limited	168,570	0.1p ordinary shares
Glythera Ltd	53,288	0.1p ordinary shares

The University's total holdings in Glythera Ltd amount to 86,577 shares: 53,288 held directly by the University and a further 33,289 held through the Bath Crescent Seedcorn Fund. Although this represents 33.39% of the company's total shares, the University does not exercise significant influence over the company, and it is therefore not accounted for as an associate.

# NOTES TO THE ACCOUNTS

## 15 ENDOWMENT ASSET INVESTMENTS

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Balance at 1 August	4,391	4,184	4,391	4,184
New endowments (Note 22)	71	281	71	281
Decrease in market value of investments	(78)	(45)	(78)	(45)
Income generated less expenditure	(23)	(29)	(23)	(29)
Balance at 31 July	<u>4,361</u>	<u>4,391</u>	<u>4,361</u>	<u>4,391</u>
Quoted investments	3,393	3,479	3,393	3,479
Cash and other short term investments	968	912	968	912
Total endowment asset investments	<u>4,361</u>	<u>4,391</u>	<u>4,361</u>	<u>4,391</u>
Quoted investments at cost	<u>3,421</u>	<u>3,488</u>	<u>3,421</u>	<u>3,488</u>

## 16 DEBTORS

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Prepayments and accrued income	2,205	2,548	2,205	2,548
Sponsored research	7,185	7,377	7,185	7,377
Other debtors	4,867	5,367	4,867	5,367
	<u>14,257</u>	<u>15,292</u>	<u>14,257</u>	<u>15,292</u>
Due within one year	14,035	15,061	14,035	15,061
Due in more than one year	222	231	222	231
	<u>14,257</u>	<u>15,292</u>	<u>14,257</u>	<u>15,292</u>

Debtors due in more than one year are all Other Debtors.

# NOTES TO THE ACCOUNTS

## 17 CURRENT ASSET INVESTMENTS

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Quoted investments	5,028	19	5,028	19
Certificates of deposit	8,265	13,768	8,265	13,768
Fixed deposit	53,000	25,000	53,000	25,000
Gilts & Other Fixed Interest investments	21,969	33,344	21,969	33,344
Cash held for investment	16	4,874	16	4,874
	<u>88,278</u>	<u>77,005</u>	<u>88,278</u>	<u>77,005</u>
Quoted investments at market value	<u>5,391</u>	<u>216</u>	<u>5,391</u>	<u>216</u>
Gilts & Other Fixed Interest investments at market value	<u>23,015</u>	<u>34,192</u>	<u>23,015</u>	<u>34,192</u>

The quoted investments also comprise the University's holding of shares in the spin out companies of Publishing Technology plc (formerly ingenta plc), which had a market value at 31 July 2012 of £14,305 (2011: £11,504) and Vectura Group plc, which had a market value at 31 July 2012 of £51,750 (2011: £204,500).

## 18 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Obligations under finance leases	24	24	24	24
Bank loans	2,080	1,040	2,080	1,040
Other creditors including taxation and social security	9,064	7,920	9,064	7,920
Accruals and Deferred income	26,630	28,147	26,630	28,147
	<u>37,798</u>	<u>37,131</u>	<u>37,798</u>	<u>37,131</u>

## 19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank loans (Note 20)	100,880	102,960	100,880	102,960
Obligations under finance leases	20	43	20	43
Total due after more than one year	<u>100,900</u>	<u>103,003</u>	<u>100,900</u>	<u>103,003</u>

# NOTES TO THE ACCOUNTS

## 20 BORROWINGS

<i>Analysis of Financing</i>	<b>Consolidated</b>		<b>University</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Finance leases: analysis of obligations:				
In one year or less	24	24	24	24
Between two and five years	20	43	20	43
	<u>44</u>	<u>67</u>	<u>44</u>	<u>67</u>
Bank loans and overdrafts are repayable as follows:				
In one year or less	2,080	1,040	2,080	1,040
Between one and two years	2,080	2,080	2,080	2,080
Between two and five years	6,240	6,240	6,240	6,240
In five years or more	92,560	94,640	92,560	94,640
	<u>102,960</u>	<u>104,000</u>	<u>102,960</u>	<u>104,000</u>

The University drew down in full two loans, each of £52m, repayment periods are detailed below.

### Loan 1

Rate		Base Rate/LIBOR + margin + MLAs
Repayment - Tranche 1	£26m	Quarterly repayments from Dec 2011 to Sept 2036
- Tranche 2	£26m	20% Sept 2026; 20% Sept 2031; 60% Sept 2036

### Loan 2

Rate		LIBOR + margin + MLAs
Repayment - Tranche 1	£26m	Quarterly repayments from June 2012 to March 2037
- Tranche 2	£26m	£5m March 2022; £6m March 2027; £15m March 2032

The University has entered into four interest rate swap agreements in relation to elements of the two loans it holds. These swaps mean that the rates below are applied, instead of varying with LIBOR and Bank of England rates :-

<b>Amount subject to swap £m</b>	<b>Interest Rate %</b>	<b>Expiry Date</b>
10.94	6.36%	February 2012
10.00	5.66%	June 2027
20.00	5.16%	December 2036
10.00	3.95%	November 2037
<u>50.94</u>		

The June 2027 interest rate swap is based on the Retail Price Index (RPI), updated annually.

# NOTES TO THE ACCOUNTS

## 21 DEFERRED CAPITAL GRANTS

	<b>Consolidated</b>		
	<b>Funding Council £000</b>	<b>Other Grants &amp; Benefactions £000</b>	<b>Total £000</b>
At 1 August 2011			
Land & Buildings	66,688	23,993	90,681
Equipment at Cost	1,175	1,699	2,874
Equipment at Valuation	-	598	598
	<u>67,863</u>	<u>26,290</u>	<u>94,153</u>
Grants receivable			
Land & Buildings	146	126	272
Equipment at Cost	2,321	1,646	3,967
Equipment at Valuation	-	-	-
Released to Income and Expenditure			
Land & Buildings	(2,115)	(620)	(2,735)
Equipment at Cost	(630)	(1,640)	(2,270)
Equipment at Valuation	-	(130)	(130)
At 31 July 2012			
Land & Buildings	64,719	23,499	88,218
Equipment at Cost	2,866	1,705	4,571
Equipment at Valuation	-	468	468
	<u>67,585</u>	<u>25,672</u>	<u>93,257</u>
	<b>University</b>		
	<b>Funding Council £000</b>	<b>Other Grants &amp; Benefactions £000</b>	<b>Total £000</b>
At 1 August 2011			
Land & Buildings	66,549	23,993	90,542
Equipment at Cost	1,175	1,699	2,874
Equipment at Valuation	-	598	598
	<u>67,724</u>	<u>26,290</u>	<u>94,014</u>
Grants receivable			
Land & Buildings	146	126	272
Equipment at Cost	2,321	1,646	3,967
Equipment at Valuation	-	-	-
Released to Income and Expenditure			
Land & Buildings	(2,104)	(620)	(2,724)
Equipment at Cost	(630)	(1,640)	(2,270)
Equipment at Valuation	-	(130)	(130)
At 31 July 2012			
Land & Buildings	64,591	23,499	88,090
Equipment at Cost	2,866	1,705	4,571
Equipment at Valuation	-	468	468
	<u>67,457</u>	<u>25,672</u>	<u>93,129</u>

# NOTES TO THE ACCOUNTS

## 22 ENDOWMENTS (Consolidated and University)

	Restricted Permanent £000	Restricted Expendable £000	2012 Total £000	2011 Total £000
At 1 August				
Capital	2,434	1,838	4,272	4,079
Accumulated Income	84	35	119	105
	<u>2,518</u>	<u>1,873</u>	<u>4,391</u>	<u>4,184</u>
New endowments	13	58	71	281
Investment income	40	39	79	67
Expenditure - from capital	-	(64)	(64)	(43)
Expenditure - from income	(23)	(15)	(38)	(53)
Decrease in market value of investments	(51)	(27)	(78)	(45)
	<u>2,497</u>	<u>1,864</u>	<u>4,361</u>	<u>4,391</u>
<b>Representing:</b>				
Capital	2,396	1,805	4,201	4,272
Accumulated Income	101	59	160	119
	<u>2,497</u>	<u>1,864</u>	<u>4,361</u>	<u>4,391</u>

## 23 INCOME & EXPENDITURE ACCOUNT RESERVES

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
At 1 August				
excluding pension reserve	92,662	74,373	96,290	78,514
pension reserve (Note 33)	(24,838)	(23,597)	(24,838)	(23,597)
Surplus for the year				
excluding pension reserve	12,026	18,260	11,502	17,747
relating to the pension reserve (Note 33)	(1,208)	(1,168)	(1,208)	(1,168)
Net Surplus for the year	10,818	17,092	10,294	16,579
Transfer from accumulated income in endowment funds	23	29	23	29
Actuarial (loss) on pension scheme (Note 33)	(5,969)	(73)	(5,969)	(73)
	<u>104,711</u>	<u>92,662</u>	<u>107,815</u>	<u>96,290</u>
At 31 July				
excluding pension reserve	104,711	92,662	107,815	96,290
pension reserve (Note 33)	(32,015)	(24,838)	(32,015)	(24,838)
	<u>104,711</u>	<u>92,662</u>	<u>107,815</u>	<u>96,290</u>

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## NOTES TO THE ACCOUNTS

### 24 CAPITAL COMMITMENTS AND LEASE OBLIGATIONS

	<b>2012</b> <b>£000</b>	<b>2011</b> <b>£000</b>
Funded by :-		
University funds	10,038	1,594
HEFCE grants	-	-
Capital commitments contracted at 31 July	<u>10,038</u>	<u>1,594</u>

In addition, the University had annual operating lease commitments in respect of leased property on leases that expire after 5 years of £4,308k (2011: £4,095k).

### 25 HARDSHIP, ACCESS BURSARY AND ACCESS FUNDS

	<b>2012</b> <b>£000</b>	<b>2011</b> <b>£000</b>
Balance at 1 August	87	66
Higher Education Funding Council for England grants	78	115
Interest earned	2	2
	<u>167</u>	<u>183</u>
Disbursements	(104)	(96)
Balance at 31 July	<u>63</u>	<u>87</u>

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

### 26 BURSARIES FROM THE TEACHING AGENCY

	<b>2012</b> <b>£000</b>	<b>2011</b> <b>£000</b>
	44	(130)
Grant received	478	1,205
Disbursements	(510)	(1,031)
	<u>12</u>	<u>44</u>

The above bursaries are available solely for students. The University acts only as a paying agent. The grant and related disbursements are excluded from the Income and Expenditure Account.

## NOTES TO THE ACCOUNTS

### 27 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2012 £000	2011 £000
Surplus on continuing operations after exceptional items and tax	10,818	17,092
Pension cost less contributions payable (Note 33)	374	371
Depreciation (Note 13)	10,959	9,589
Deferred capital grants released to income (Note 21)	(5,135)	(4,529)
Net (surplus) on disposal of tangible fixed assets (Note 12)	(191)	(44)
(Surplus) on sale of fixed asset investments (Note 12)	(55)	(30)
Write-down of fixed asset investments (Note 11)	404	420
Endowment and investment income receivable (Note 6)	(3,368)	(2,093)
Interest payable (Note 9)	3,609	3,510
(Increase) in stocks	(7)	(196)
Decrease in debtors on operating activities	1,570	312
Increase in creditors on operating activities	59	2,106
	<u>19,037</u>	<u>26,508</u>
Net cash inflow from operating activities	<u>19,037</u>	<u>26,508</u>

### 28 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2012 £000	2011 £000
Income received from endowments (Note 6)	79	67
Income received from short term investments	115	27
Other interest received	2,698	1,893
Interest paid:		
- Other interest paid	(2,773)	(2,758)
- Finance leases (Note 9)	(2)	(5)
- Other interest charges (Note 9)	-	-
	<u>117</u>	<u>(776)</u>
	<u>117</u>	<u>(776)</u>

### 29 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2012 £000	2011 £000
Purchase of tangible fixed assets	(11,273)	(24,659)
Net purchases of fixed asset investments	(2)	(193)
Net purchases of endowment asset investments	8	(3,524)
Receipts from sales of tangible fixed assets	197	52
Receipts from sale of fixed asset investment	69	129
Deferred capital grants received	4,238	8,575
Endowments received (Note 22)	71	281
	<u>(6,692)</u>	<u>(19,339)</u>
	<u>(6,692)</u>	<u>(19,339)</u>

# NOTES TO THE ACCOUNTS

## 30 MANAGEMENT OF LIQUID RESOURCES

	2012 £000	2011 £000
Net sales of quoted investments	(5,091)	7
Net (purchases)/sales of certificates of deposit	5,503	(10,056)
Net (purchases) of gilts & other fixed interest investments	11,398	(923)
Net (addition) to fixed term deposits	(28,000)	(2,328)
	<u>(16,190)</u>	<u>(13,300)</u>

## 31 ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	Loans £000	Finance leases £000	2012 Total £000	2011 Total £000
Balance outstanding at 1 August	104,000	67	104,067	104,110
New loans/leases	-	-	-	1
Capital repayments	(1,040)	(23)	(1,063)	(44)
Net change in year	(1,040)	(23)	(1,063)	(43)
	<u>102,960</u>	<u>44</u>	<u>103,004</u>	<u>104,067</u>

## 32 ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 2011 £000	Cash Flows £000	Other Changes £000	At 31 July 2012 £000
Cash				
Held in endowment asset investments	912	56	-	968
Cash held for investment	4,874	(4,858)	-	16
Other cash	2,166	11	-	2,177
	<u>7,952</u>	<u>(4,791)</u>	<u>-</u>	<u>3,161</u>
Other current asset investments (Note 17)	72,131	16,190	(59)	88,262
Debt due within one year (Note 18)	(1,064)	1,063	(2,013)	(2,014)
Debt due after one year (Note 19)	(103,003)	-	2,013	(100,990)
	<u>(23,984)</u>	<u>12,462</u>	<u>(59)</u>	<u>(11,581)</u>

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# NOTES TO THE ACCOUNTS

## 33 PENSIONS

### Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 145,000 active members and the University has 1,576 active members at 31 July 2012.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the University 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" the University 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 the year.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out reviews of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 is also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ("light") YoB tables - No age rating
Female members' mortality	S1NA ("light") YoB tables - rated down 1 year

Use of these tables reasonably reflects the actual USS experience but also provides an element of conservatism, to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectancy on retirement at age 65 are :-

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

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# NOTES TO THE ACCOUNTS

## 33 PENSIONS (continued)

### Universities Superannuation Scheme (continued)

At the valuation date, the market value of the assets of the scheme was £32,435.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of the future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries. Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Price Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation. Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

#### **New Entrants**

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) scheme.

#### **Normal Pension Age**

The Normal pension age was increased for future service and new entrants, to age 65.

#### **Flexible Retirement**

Flexible retirement options were introduced.

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# NOTES TO THE ACCOUNTS

## 33 PENSIONS (continued)

### Universities Superannuation Scheme (continued)

#### Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a for FS Section members and CRB Section members respectively.

#### Cost Sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

#### Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If the official pensions increase by more than 5% the USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to the market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum base on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below.

Assumption	Change in assumption	Impact on shortfall
Investment Return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI & CPI	Decrease by 0.25%	Increase by £1 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion

USS is 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.

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# NOTES TO THE ACCOUNTS

## 33 PENSIONS (continued)

### Universities Superannuation Scheme (continued)

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities.

This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate, although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

### Local Government Pension Scheme

The University participates in the Avon Pension Fund which is a funded defined benefit pension scheme with the assets held in separate trustee administered funds. The assumptions which have the most significant effect on the determination of contribution levels are as follows:

	<i>Past Service Liabilities</i>	<i>Future Service Liabilities</i>
Return on investments		
- pre retirement	6.85%	6.75%
- post retirement	5.70%	6.75%
Salary inflation	4.50%	4.50%
Pension inflation	3.00%	3.00%
Valuation date		31 March 2010
Valuation method		Projected Unit
Market value of assets at date of last valuation		£2,459 million
Market value of assets as a percentage of accrued benefits		82%

The contributions payable by the University were equal to 14.85% of total pensionable salaries to March 2012, and 15.10% thereafter.

# NOTES TO THE ACCOUNTS

## 33 PENSIONS (continued)

### Local Government Pension Scheme (continued)

As a multi-employer scheme where the share of assets and liabilities applicable to each employer can be defined, the University has accounted for the scheme under FRS 17 as a defined benefit scheme based on a full actuarial valuation of the Fund as at 31 March 2010, updated to July 2012 by a qualified independent actuary.

The material assumptions used by the actuary for FRS17 at 31 July 2012 were:

At end of year	31 July 2012 %	31 July 2011 %
Rate of CPI inflation	2.10	2.90
Rate of increase in salaries	3.60	4.40
Rate of increase in pensions	2.10	2.90
Discount rate	4.30	5.30

#### *Post retirement mortality assumptions for members retiring in normal health*

Non-retired members (female)	male	S1PMA CMI_2009_[1.5%] 97% (90%)	S1PMA CMI_2009_[1.5%] 97% (90%)
Current pensioners (female)	male	S1PMA CMI_2009_[1.5%] 97% (90%)	S1PMA CMI_2009_[1.5%] 97% (90%)

#### *Life expectancy*

Male (female) future pensioner aged 65 in 20 years time	25.1 (28.1) years	25.0 (28.0) years
Male (female) current pensioner aged 65	22.8 (25.7) years	22.7 (25.6) years

# NOTES TO THE ACCOUNTS

## 33 PENSIONS (continued)

### Local Government Pension Scheme (continued)

*The University's assets in the scheme and the expected rate of return were:*

	Long term rate of return expected at 2012	Value at 31 July 2012 £000	Long term rate of return expected at 2011	Value at 31 July 2011 £000	Value at 31 July 2010 £000
Equities	7.0%	42,337	7.0%	44,256	38,440
Government bonds	2.5%	8,974	3.9%	9,479	9,690
Other bonds	3.4%	8,757	4.9%	5,701	5,647
Property	6.0%	5,355	6.0%	4,846	3,144
Cash/Liquidity	0.5%	1,303	0.5%	1,212	1,412
Other	7.0%	5,645	7.5%	5,773	5,840
		<u>72,371</u>		<u>71,267</u>	<u>64,173</u>

*The University's share of the scheme's assets and liabilities:*

	2012 £000	2011 £000	2010 £000
Market value of assets	72,371	71,267	64,173
Present value of scheme liabilities	(104,386)	(96,105)	(87,770)
Net pension liability	<u>(32,015)</u>	<u>(24,838)</u>	<u>(23,597)</u>

*Amounts charged to income and expenditure account:*

	2012 £000	2011 £000
<i>Included in staff costs for the year (Note 7)</i>		
Current service cost	2,623	2,559
Settlements and curtailments	-	39
Unfunded benefits	26	33
Total operating charge	<u>2,649</u>	<u>2,631</u>

*Analysis of amount charged to interest payable*

	2012 £000	2011 £000
Expected return on pension scheme assets	(4,247)	(4,021)
Interest on expected scheme liabilities	5,081	4,818
Net charge	<u>834</u>	<u>797</u>

# NOTES TO THE ACCOUNTS

## 33 PENSIONS (continued)

### Local Government Pension Scheme (continued)

#### Amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	2012 £000	2011 £000
Actual return less expected return on pension scheme assets	(2,311)	3,738
Change in assumptions underlying the present value of the scheme liabilities	(3,658)	(3,811)
Experience loss arising on scheme liabilities	-	-
	<u>(5,969)</u>	<u>(73)</u>

#### The movement in the scheme's deficit during the year is made up as follows:

	2012 £000	2011 £000
Deficit in scheme at 1 August	24,838	23,597
Movement in the year:		
Current service cost	2,623	2,559
Contributions by the employer	(2,249)	(2,227)
Past service and curtailment cost/(gain)	-	-
Impact of settlements and curtailments	-	39
Net finance charge on assets and liabilities	834	797
Net Movement in the year	1,208	1,168
Actuarial loss	5,969	73
	<u>32,015</u>	<u>24,838</u>

#### Analysis of the movement in the present value of the scheme liabilities:

	2012 £000	2011 £000
At the beginning of the year	96,105	87,770
Current service cost	2,623	2,559
Interest on pension liabilities	5,081	4,818
Member contributions	952	985
Past service cost	-	-
Actuarial (gains) on liabilities - change in inflation base	-	-
Actuarial losses on liabilities - other	3,658	3,811
Curtailments	-	39
Benefits/transfers paid	(4,033)	(3,877)
At the end of the year	<u>104,386</u>	<u>96,105</u>

# NOTES TO THE ACCOUNTS

## 33 PENSIONS (continued)

### Local Government Pension Scheme (continued)

#### Analysis of the movement in the market value of the scheme assets:

	2012 £000	2011 £000
At the beginning of the year		
Actuarial adjustment to the opening balance	71,267	64,173
Expected return on plan assets	4,247	4,021
Actuarial gains on assets	(2,311)	3,738
Contributions by the employer	2,249	2,227
Contributions by scheme participants	952	985
Benefits/transfers paid	(4,033)	(3,877)
At the end of the year	<u>72,371</u>	<u>71,267</u>

#### History of experience gains and losses

	2012	2011	2010	2009	2008
Difference between the expected and actual return on scheme assets					
Amount (£000)	(2,311)	3,738	5,378	(6,264)	(6,189)
Percentage of scheme assets	3.2%	5.2%	8.4%	11.3%	10.9%
Experience gains and (losses) on scheme liabilities					
Amount (£000)	0	(160)	0	0	(817)
Percentage of present value of scheme liabilities	0.0%	0.2%	0.0%	0.0%	1.0%
Total amount recognised in Statement of Total Recognised Gains and (Losses)					
Amount (£000)	(5,969)	(73)	6,551	1,356	(14,092)
Percentage of present value of scheme liabilities	5.7%	0.1%	7.5%	1.6%	16.7%

#### Total pension costs (Note 7)

	2012 £000	2011 £000
Universities Superannuation Scheme: contributions	13,747	12,921
Avon Pension Fund	2,649	2,631
Contributions to other pension schemes	83	89
	<u>16,479</u>	<u>15,641</u>



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