

Financial Statements
2009-2010



UNIVERSITY OF
BATH



Financial Statements

for the year ended 31 July 2010

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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 companies. The companies in which the University holds 100% of the share capital are listed in note 15 to the Financial Statements, together with their principal activities. As well as the 100% owned subsidiaries, 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. However, the University exercises dominant control over the Foundation's activities.

Consolidated Results for the Year and Outlook

I am pleased to be able to report on another very satisfactory set of Financial Statements. The University made a record surplus in the year and generated the largest amount of operating cashflow in its history. This has supported investment in substantial additions to the University's physical and academic infrastructure.

	£000 2010	£000 2009	% Increase
Income	183,776	175,759	5%
Expenditure	<u>(165,718)</u>	<u>(167,195)</u>	(1)%
Surplus on continuing operations	18,058	8,564	111%
Write-down of Investments	(1,347)	(175)	
Exceptional items and losses on disposal of fixed assets	<u>(185)</u>	<u>3,876</u>	
Net surplus after exceptional items and disposal of fixed assets	<u>16,526</u>	<u>12,265</u>	35%
Net assets excluding pension liability	<u>168,664</u>	<u>135,261</u>	25%
Net assets including pension liability	<u>145,067</u>	<u>107,143</u>	35%
Net cash inflow from operating activities	<u>26,438</u>	<u>12,424</u>	113%

Report of the Treasurer

A surplus of £16.5m is the 7th consecutive and largest that the University has achieved.

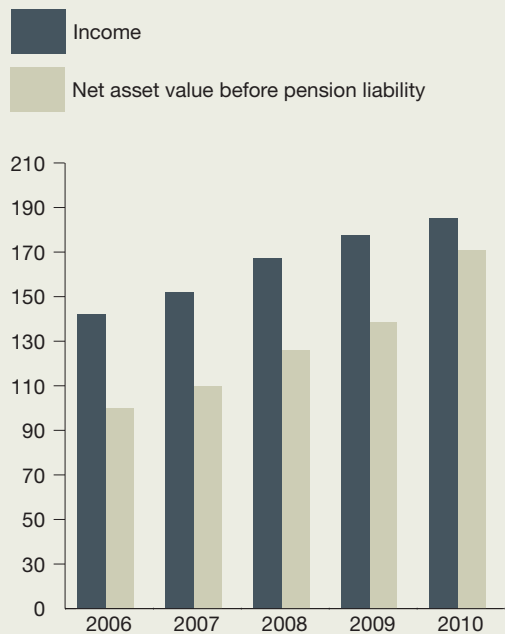
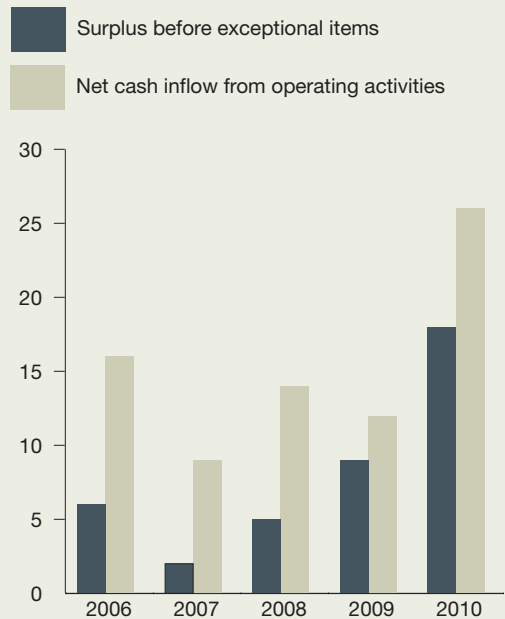
The University's aim is to grow its activities in a sustainable manner and has been successful in increasing its income again this year. However, at 5% the growth has been more modest than in recent years. This has been due to the initial reductions in public spending which have fallen disproportionately on the Higher Education Sector. Much more significant reductions are anticipated following the Government's Spending Review and this will present a major challenge to the sustainability of the HE sector.

The University has continued to increase its income from overseas tuition fees. The reduction in the value of sterling and the excellent reputation of both the University and the UK HE Sector have supported this growth. Increasing competition and changes to visa requirements present a risk to this income as does any perception of a reduction in quality as a result of any reduction in funding.

The benefit of the increase in tuition fees for home students in 2005 has now been fully realised. The outcome of the Browne Review and the Government's decision on the number of home students that it will fund will be critical to the University's future. Any outcome, or combination of outcomes, which significantly restricts the University's ability to generate increased tuition fee income may jeopardise the University's financial sustainability and academic excellence.

The University has suffered a reduction in Research awards from the Research Councils during the year. The shortfall was partially off-set by increased awards in other areas. Nevertheless, the prospect of a reduction in Government support for research has serious implications for the University as well as the country's research base and general economy.

I reported last year on the prompt action that the University had taken in reducing its expenditure in anticipation of reduced public funding. The control of costs has been a significant factor in the University's good financial performance. Compared to the previous year expenditure is down by 1%, well below the current rate of inflation.



Income

Total Income increased by 5% compared to last year. As can be seen from the table below the main source of this growth is an increase in Tuition Fees of £7m (14%). Of this increase £3m was due to the benefit of the introduction of tuition fees. Tuition fees are now paid by students in all years and so this will cease to add anything other than an inflationary increase in the coming years, subject of course to the application of the Browne Review. It is pleasing to be able to report an increase in both postgraduate and overseas tuition fee income by 23% and 12% respectively. These sizeable increases reflect Bath's strong reputation as well as the quality of provision.

	2010	2009	% inc/(dec)
Funding council grants	62.1	61.7	1%
Tuition fees and education contracts	57.2	50.2	14%
Research grants and contracts	30.4	30.4	0%
Accommodation and hospitality	17.1	16.7	3%
Other services rendered	8.3	7.9	5%
Other income	8.7	8.9	-2%
Total Income	183.8	175.8	5%

Funding Council grants increased marginally in the year. The core grant reduced slightly as the first round of Government cuts affected the University in the final third of the year. Research income was flat in the year. This position was buoyed by a one-off receipt of £1.2m which would otherwise have resulted in a fall in income reflecting the more difficult award environment referred to earlier.

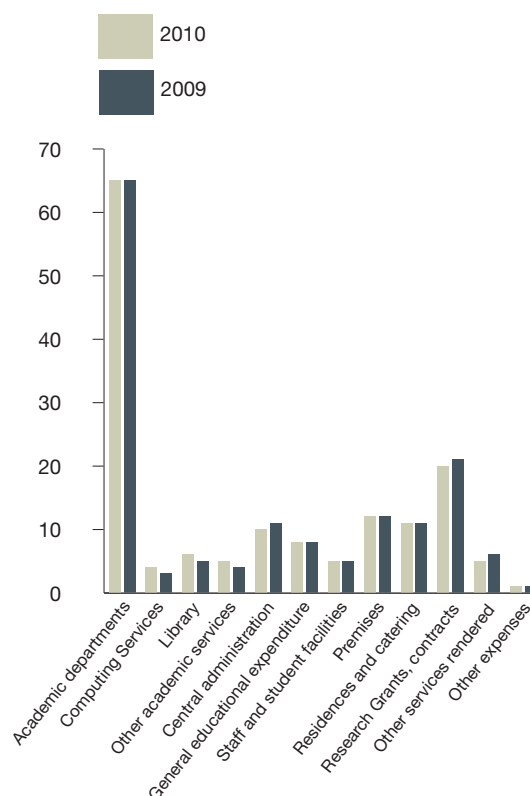
Sports and related activity account for all of the 5% increase in Other Services Rendered and is testament to the outstanding quality of the Sports Training Village and the service it provides.

Income from Hospitality and Accommodation increased broadly in line with inflation as no new bed stock was added in the year and the benefit of the new 4West Café was only felt in the latter months of the year.

Expenditure

Last year I reported that the University had taken steps to reduce costs in advance of any reductions in funding. Total expenditure was broadly the same as the prior year, decreasing by just under one percent. Looking at staff and operating expenses, and thereby excluding depreciation and interest charges, expenditure fell by 1.7%.

The chart below illustrates this change. Spending on the library, computing services and other academic services increased by 5%, 14% and 11% respectively continuing the trend of increasing those areas of expenditure with the most direct impact on students. In percentage terms the greatest reduction was in central administration (8%).



Depreciation was higher in the current year due to an increased charge on the Westwood Residence, and the interest charge on the Local Government Pension Scheme (note 35) increased the amount of interest payable.

Staff costs as a percentage of total expenditure reduced by half a percentage point to 61% of total expenditure. In absolute value, staff costs reduced by £1.9m; this is largely a result of the lower pay settlement, corporate savings and the reduction in research costs.

Report of the Treasurer

The challenge to maintain the control of costs whilst enhancing the service provided will increase in the coming years. To date the University can demonstrate success but it will remain a significant challenge in the coming years.

Treasury

The value of endowments, current asset investments and cash increased from £63.2m to £73.7m during the year.

Endowment funds grew to £4.2m as the University received £1.5m of new gifts in the year (note 24). The remaining investments are almost entirely unrestricted internally generated funds (note 19).

I reported last year the University's view is that its investment plans in both the academic and physical infrastructure of the University mean that an investment with all but the minimum risk to capital is inappropriate for the University. It was with this in mind that in October 2009 the University invested £5m in what are predominantly Corporate Bonds through the Royal London Sterling Credit Trust. This is in addition to the £26m invested in gilts and other bonds in the previous year.

The remaining funds are invested in certificates of deposit, fixed term deposits or call accounts, a £7m call account deposit being the reason for the increase in cash on the balance sheet. Last year the University benefited from investing in fixed deposits with a term of one year at 6%. As rates fell to their current low level these deposits cushioned the effect of the rate falls on the University's investment income. The continued low rates have meant that endowment and investment income fell by 34% in 2009-10 to £1.6m and this follows an 18% reduction in the previous year.

The University's hedging strategy has partially off set this decrease as an RPI related swap for £10m has a fixed rate of 1.24% at the end of the year. The total value subject to swaps at the year end was £51.3m with an average rate of 4.42%. Details of the swaps and the University's loan agreements are included in note 22.

It is worth noting that whilst the University's debt as a proportion of income is relatively high compared to others in the sector, at the year end the University's net debt (defined as loans less cash, current asset investments and endowment assets) fell to £30.3m or 17% of income.

Cashflow

The inflow from operating activities increased from £12.4m to £26.4m in 2009/10. In addition to the effect of the increase in the surplus, the improved cash flow is due in part to an improved working capital position with a £0.4m inflow from the movement in debtors and

creditors, which is a £3.7m improvement on the prior year's movement.

Last year's accounts showed a £2.6m gain from the value of shares acquired from the Sulis Seedcorn Fund; this value was subject to a £1.3m write down in 2009-10. The impact of these items is a little under £4m; further details are shown in note 29.

Capital expenditure was the highest for many years and £11.4m higher than last year at £33.4m. Grants received however, were £14.1m greater than the previous year. This resulted in net capital expenditure and financial investment falling by £2.3m to £14.6m.

Consolidated Balance Sheet

The Net Asset figure has improved markedly in the year from £107.1m to £145.1m. Among other movements on the pension reserve in 2010 was a reduction of £5.99m in the liabilities of the LGPS. This was a result of the change in the basis of indexation from RPI to CPI announced by the Chancellor of the Exchequer earlier in the year. This change reduces the University's LGPS liabilities and underlies the £4.5m reduction in pension liabilities to £23.6m. This aside, the increase in net assets reflects the strong operating performance and cash generation during the year.

The book value of Fixed Assets increased by £25.4m. New investment totalled £33.9m following expenditure in a number of areas which I describe later. Fixed Asset Investment reduced by £1.6m mainly as a result of a write down in the value of Ilika Technologies Ltd whose shareholding was transferred to the University last year as part of the dissolution of the Sulis Seedcorn Fund Limited Partnership. The value of funds held as part of the University Challenge Fund in the Bath Crescent Seedcorn Fund is £1.94m with no individual share valued at more than £480k (note 15).

The level of stock was unchanged from the previous year end and debtors increased by £2.5m. However, this was more than off-set by a £3.8m increase in creditors with an increase in accounts payable and capital creditors off-setting a reduction in research creditors.

The University's loans remain fully drawn down at £104m. The increase in cash and investments and the reduction in net debt referred to earlier leave the University well placed to invest further in the University's physical and academic infrastructure without having to negotiate any new loans.

Whilst the reduction in the pension liability is welcome it should be remembered that this relates only to the LGPS scheme, the larger USS deficit does not appear on the balance sheet of any University. The change to CPI will reduce the USS liability however, the funding

and affordability of both the USS and LGPS schemes remains a concern. Changes to the USS scheme have been put forward by the USS Joint Negotiating Committee and approved by the USS Trustee Board, subject to a consultation of affected members and their representatives due to start later in October and to continue until 22 December. The proposed changes aim to maintain USS's status as a scheme that offers an excellent level of pension benefits. They will help safeguard the future of the scheme, keeping it viable for employers and attractive for members. The major changes are the introduction of a career average revalued earnings section for new entrants who join the scheme after 1 April 2011, the movement of the Normal Pension Age to 65, increases to the employee contribution rate and introduction of cost sharing for future cost increases. The Independent Public Service Pension Commission Interim Report ("the Hutton report") has recommended that the government consider increasing employee contribution rates to the LGPS and indicated that the final report of the Commission, expected in spring 2011, will review alternative configurations to the scheme, including a shift to a CARE scheme.

The University has taken steps to simplify its subsidiary companies in the year such that at the end of the year there were no active subsidiaries. Three companies were either struck off or liquidated; further details are included in note 15.

Estate Developments

Investment in the University's Estate has been at an almost unprecedented level in the last 12 months. The construction of 4 West was completed on schedule in April 2010 with the new 4West café opening for the start of the last academic year in September 2009. The building includes facilities for research centres, a student support centre, a post graduate centre as well as teaching and lecture space.

Similarly the construction of the new East Building is well underway, on schedule and due for completion in early 2011. The building will provide flexible open plan and cellular office arrangement, teaching space and a new large lecture theatre. The space will be used to house departments whilst refurbishments are made to many of the existing buildings on the campus.

Refurbishment work started in May on a project to enhance levels 4 to 9 of Norwood House. Offices on levels 5 to 9 have changed from offices to their original purpose as bedrooms. Facilities are much improved on the original with better bathroom facilities, kitchens and social space. Concurrent with the re-development of Norwood House a new £5.5m Student Centre has been constructed in the adjacent Students Union. This has transformed the facilities for students and the Students Union and it clearly demonstrates the University's commitment to enhancing the student experience. The project has also uplifted the entrance to the Parade from the East side of the campus making the approach more attractive and improving the

pedestrian access from the Parade to the Sports Training Village, residences and the new East Building. Both of these projects were completed for use in the new academic year.

Again with the student experience in mind the University has improved its teaching rooms covering 8 buildings and dozens of rooms. This project totalling £2.1m has decorated, refurbished and upgraded the audio visual equipment in a project which has been run during the summer with facilities ready for the new academic year.

In addition to the Norwood residences the off-site residences Cleveland Buildings and John Wood Buildings have been extensively refurbished to improve kitchens, bathrooms and social space.

I reported last year on the Climate Change Act (2008) and the very challenging carbon targets being proposed for the sector. The University has established a Carbon Management Board and is undertaking a review process with the assistance of the Carbon Trust to further develop the University's carbon strategy. The likelihood of above inflation increases in energy costs and the introduction of emissions trading present a risk to the University where energy costs are the second largest expense. The University has reduced its emissions in the last year, however; the commissioning of new buildings will increase the level of emissions even though they are built to a BREEAM Excellent standard. Whilst the refurbishment of the University's older buildings will mitigate this to some extent it remains clear that carbon management will remain a significant issue for the University.

This is my last report as Treasurer and I am pleased with the improvements that have been made in so many aspects of the University during the last three years. Nevertheless, it is clear to all that there will be a reduction in funding to the sector and, along with several other uncertainties that I have mentioned, this will present significant challenges to almost all Universities. The University of Bath's financial position and, more particularly, its excellent teaching and research leave it better placed than many to deal with these unfolding events.

Public Benefit Statement

Our Mission is to deliver world class research and teaching, educating our graduates 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.

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 delivering these corporate goals, the University has due regard to the Charity Commission's guidance on public benefit.

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.

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:

- A recent project with Ford and BP resulted in an 8% increase in the fuel efficiency of diesel

cars, generating economic and environmental benefits.

- Research carried out in partnership with the Army Recruiting & Training Division (ARTD) has successfully reduced the incidence of musculoskeletal injuries with a range of trainees including paratroops, new trainees with lower fitness levels and female recruits. Medical discharges of female recruits have been reduced by 74% and male recruits by 60%.
- Research by our Centre for Drug Formulation Studies has helped to overcome the problem of adhesion of the drug particles in inhaled pharmaceuticals, improving the drug delivery from inhalers from 20% to 50% through the use of inert carrier particles.
- Working with Royal United Hospital, one of our research groups developed a minimally invasive microwave treatment (Microwave Endometrial Ablation) as an alternative to hysterectomy. Today MEA is sold throughout the world with over 50% of UK endometrial ablation being delivered using this system.
- Researchers from the Department of Biology & Biochemistry helped to successfully reintroduce the Great Bustard, the world's heaviest flying bird, to the UK after 177 years.
- A researcher from the Department of Social & Policy Sciences collaborated with humanitarian aid organisation Terres des hommes (Tdh), Lausanne, Switzerland to write a new manual for child protection workers in war zones and places struck by natural disasters.

We work proactively to ensure that our research is disseminated and understood beyond the world of academe. 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.

A bespoke analysis of online media coverage was conducted by Meltwater for the University in spring 2010. The analysis revealed an unusually high proportion of international media coverage (in excess of 50% of total 'hits') with one or more news stories featuring the University in the online press of 79 countries around the world in the last six months. The majority of news stories originated from the USA (592) followed by India (123), China (85).

High quality education

In addition to disseminating knowledge, the University's research 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 organizations, 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.

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. We are currently involved in an NUS-led pilot, the Degrees Cooler programme, designed to encourage sustainable living on campus.

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 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. 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. One example is Arctic Farm, a company producing frozen yoghurt. This company was launched by two students, one studying Business Administration and one studying Physics. They won a national competition for entrepreneurs in February 2008, receiving £5,000 in prize money after submitting a 60-second film to explain and market their idea. The pair secured a contract to supply their frozen yoghurt to Harrods.

Public Benefit Statement

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.

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 56,000 alumni with whom we are in regular contact and have 10 international alumni chapters, including Australia, China, Greece, India, Japan, Singapore, South Korea, Taiwan and USA.

We will provide the 2012 training camp for the Malaysian Olympic squad and are already hosting the GB Paralympic squad in their training camp preparations.

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.
- 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

Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which it has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998 and the Governance Code of Practice adopted by the Committee of University Chairmen (CUC) in November 2004, and revised in February 2009. 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 and 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.

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 following the disestablishment of the Investment Committee in November 2008.

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. The last effectiveness review of Council was undertaken during 2004/05 and its recommendations have been implemented. An interim review was considered by Council in October 2008. The next full review will be undertaken in 2011.

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.

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;

Corporate Governance

- 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 2010 and up to the date of approval of the financial statements, has operated effectively throughout the year and accords with HEFCE guidance.

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.

Membership of University of Bath Council

(between 1st August 2009 and 25th November 2010)

Mr P Troughton	Chair of Council
Mr D Medlock	Pro-Chancellor
Mr K Woodley	Pro-Chancellor
Mr J Thring	Pro-Chancellor (to 31st December 2009)
Sir J Horn-Smith	Pro-Chancellor (from 1st January 2010)
Mr R Pedder	Treasurer
Professor G Breakwell	Vice- Chancellor
Professor K Edge	Deputy Vice-Chancellor
Dr S Wharton	Chair of Academic Assembly
Mr R Excell	Appointed by Council
Mr A Fraser	Appointed by Council
Mr K O'Sullivan	Appointed by Council
Mr T Sheppard	Appointed by Council
Mr P Wyman	Appointed by Council
Mrs E Bloor	Appointed by Council (to 31st July 2010)
Mr R Hambro	Appointed by Council (to 31st July 2010)
Mr B Liu	Appointed by Council (to 31st July 2010)
Mr J Russell	Appointed by Council (to 31st July 2010)
Mrs R Foreman	Appointed by Council (from 1st August 2010)
Mr D Gould	Appointed by Council (from 1st August 2010)
Mr M Hawkesworth	Appointed by Council (from 1st August 2010)
Mr R Whorrod	Appointed by Council (from 1st August 2010)
Lady Lloyd	Appointed by Convocation
Professor J Davenport	Elected by Senate
Professor T Ibell	Elected by Senate
Professor D Bird	Elected by Senate (to 31st July 2010)
Professor G Hawley	Elected by Senate (to 31st July 2010)
Dr F Laughton	Elected by Senate (from 1st August 2010)
Professor G Price	Elected by Senate (from 1st August 2010)
Dr R Naidoo	Elected by Academic Assembly (to 31st July 2010)
Dr A Salo	Elected by Academic Assembly (from 1st August 2010)
Miss A Harrington	Elected by Non-Academic Staff
Mr D O'Toole	Student Member
Mr G Charonis	Student Member (to 25th June 2010)
Mr M Benka	Student Member (from 28th June 2010)

Independent Auditors' 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 2010 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. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the University Council, as a body, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the University 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 University 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

The responsibilities of the University Council for preparing the Treasurer's Report and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 13.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated June 2008 and the Financial Memorandum with the Training and Development Agency for Schools. We also report to you whether in our opinion the Treasurer's Report is not consistent with the financial statements.

In addition, we report to you if, in our opinion, the University has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the University's Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the University's affairs as at 31 July 2010 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated June 2008 and the Financial Memorandum with the Training and Development Agency for Schools.

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

25 November 2010

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, and 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 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 undertakings for the financial year to 31 July 2010.

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 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 State Earnings-Related Pension Scheme. 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 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 asset 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 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010.

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) 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.

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.

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 July 2010

		<i>Consolidated</i>		
		Note	2010	2009
			£000	£000
Income				
	Funding council grants	1	62,122	61,746
	Tuition fees and education contracts	2	57,169	50,162
	Research grants and contracts	3	30,410	30,377
	Other income	4	32,429	30,979
	Endowment and investment income	6	1,646	2,495
			-----	-----
	Total income		183,776	175,759
			-----	-----
Expenditure				
	Staff costs	7	101,149	103,018
	Other operating expenses	8	51,236	52,081
	Depreciation	8	8,442	7,780
	Interest payable	9	4,891	4,316
			-----	-----
	Total expenditure		165,718	167,195
			-----	-----
	Surplus after depreciation of tangible fixed assets at cost/valuation and before exceptional items		18,058	8,564
	Write-down of fixed asset investments	10	(1,347)	(175)
	Exceptional Items :			
	Sale of Sulis Investments	11	-	3,776
	Surplus/(loss) on disposal of assets	12	(185)	100
			-----	-----
	Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax		16,526	12,265
	Transfer from accumulated income in endowment funds	16	20	4
			-----	-----
	Surplus for year retained within general reserves		16,546	12,269
			-----	-----

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.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended 31 July 2010

	Note	2010 £000	2009 £000
Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax		16,526	12,265
New endowments	24	1,527	370
Appreciation/(depreciation) of endowment asset investments	24	-	(407)
Actuarial gain in respect of pension scheme	35	6,551	1,356
Total recognised gains relating to the year		<u>24,604</u>	<u>13,584</u>
Reconciliation			
Opening reserves and endowments		30,356	16,772
Total recognised gains in year		24,604	13,584
Closing reserves and endowments		<u>54,960</u>	<u>30,356</u>

BALANCE SHEETS AS AT 31 JULY 2010

	Note	Consolidated		University	
		2010 £000	2009 £000	2010 £000	2009 £000
Fixed Assets					
Tangible assets	14	217,946	192,578	221,950	197,083
Investments	15	1,981	3,543	1,981	6,258
Total fixed assets		219,927	196,121	223,931	203,341
Endowment Asset Investments	16	4,184	2,677	4,184	2,677
Current Assets					
Stock		561	561	561	561
Debtors	17	15,513	12,975	15,513	13,032
Investments	19	60,354	58,455	60,354	58,455
Cash at bank and in hand		9,180	2,087	9,166	1,936
		85,608	74,078	85,594	73,984
Creditors : Amounts Falling Due Within One Year	20	(36,989)	(33,147)	(36,988)	(37,384)
Net Current Assets		48,619	40,931	48,606	36,600
Total Assets Less Current Liabilities		272,730	239,729	276,721	242,618
Creditors : Amounts Falling Due After More Than One Year	21	(104,066)	(104,001)	(104,066)	(104,001)
Provision : Swindon Exit Costs	18	-	(467)	-	(467)
Net Assets Excluding Pension Liability		168,664	135,261	172,655	138,150
Net Pension Liability	35	(23,597)	(28,118)	(23,597)	(28,118)
Net Assets Including Pension Liability		145,067	107,143	149,058	110,032
Deferred Capital Grants	23	90,107	76,787	89,957	76,625
Endowments	24				
Expendable		1,665	73	1,665	73
Permanent		2,519	2,604	2,519	2,604
		4,184	2,677	4,184	2,677
Reserves					
Income and expenditure account excluding pension reserve	25	74,373	55,797	78,514	58,848
Pension reserve	35	(23,597)	(28,118)	(23,597)	(28,118)
Income and expenditure account including pension reserve		50,776	27,679	54,917	30,730
Total Funds		145,067	107,143	149,058	110,032

The Financial Statements on pages 20 to 55 were approved by the Council on 25 November 2010 and signed on its behalf by:

Professor G M Breakwell
Vice-Chancellor

Mr R Pedder
Treasurer

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 July 2010

	Note	2010 £000	2009 £000
Net cash inflow from operating activities	29	26,438	12,424
Returns on investments and servicing of finance	30	(1,613)	264
Capital expenditure and financial investment	31	(14,555)	(16,875)
Cash inflow/(outflow) before use of liquid resources and financing		10,270	(4,187)
Management of liquid resources	32	(1,910)	(8,277)
Financing	33	54	14,644
Increase in cash in the period		<u>8,414</u>	<u>2,180</u>

Reconciliation of Net Cash Flow To Movement in Net Debt

	Note	2010 £000	2009 £000
Increase in cash in the period		8,414	2,180
Increase in liquid and current investments	32	1,910	8,277
Net increase to loans and finance leases	33	(54)	(14,644)
Non-cash changes to net debt	34	175	(129)
Decrease/(Increase) in net debt		10,445	(4,316)
Net debt at 1 August	34	(40,837)	(36,521)
Net debt at 31 July	34	<u>(30,392)</u>	<u>(40,837)</u>

NOTES TO THE ACCOUNTS

1 FUNDING COUNCIL GRANTS

	Consolidated	
	2010	2009
	£000	£000
HEFCE grants		
Core grant	52,584	52,693
Specific grants	4,249	4,283
Joint Information Systems Committee	1,973	1,599
TDA grants	1,374	920
HEFCE capital grants		
Deferred capital grants released in year (Note 23)	1,942	2,251
	<u>62,122</u>	<u>61,746</u>

2 TUITION FEES AND EDUCATION CONTRACTS

	Consolidated	
	2010	2009
	£000	£000
Full-time UK higher education students	22,830	19,019
Full-time EU higher education students	3,956	3,187
Full time overseas higher education students	23,598	21,074
Part-time higher education students	4,080	3,868
Short course fees	1,526	1,608
Research training support grants and other fees	1,179	1,406
	<u>57,169</u>	<u>50,162</u>

3 RESEARCH GRANTS AND CONTRACTS

	Consolidated	
	2010	2009
	£000	£000
Research Councils	14,825	15,905
UK charitable bodies	2,818	3,224
European Commission	2,638	2,237
Other sponsors	10,129	9,011
	<u>30,410</u>	<u>30,377</u>

Research income includes £1,289,000 (2009: £1,317,000) of income released from deferred capital grants.

NOTES TO THE ACCOUNTS

4 OTHER INCOME

	Consolidated	
	2010	2009
	£000	£000
Residences, catering and conferences	17,128	16,708
Other services rendered (Note 5)	8,298	7,886
Miscellaneous grants	959	923
Rents	789	1,130
Release of deferred capital grants	620	674
Donations	1,883	591
VAT recovery	564	526
Health and hospital authorities	428	489
Car parking	372	410
University Nursery	299	347
Sundry EC mobility grants	53	125
Income from intellectual property rights	131	270
Other income	905	900
	<u>32,429</u>	<u>30,979</u>

5 OTHER SERVICES RENDERED (see Note 4)

	Consolidated	
	2010	2009
	£000	£000
Academic departments & centres	2,387	2,457
Computing, library & other academic services	1,028	1,192
Sports and related facilities	4,317	3,565
Other	566	672
	<u>8,298</u>	<u>7,886</u>

6 ENDOWMENT AND INVESTMENT INCOME

	Consolidated	
	2010	2009
	£000	£000
Income from endowments (Note 24)	33	65
Net income from short-term investments	35	476
Other interest receivable	1,578	1,954
	<u>1,646</u>	<u>2,495</u>

NOTES TO THE ACCOUNTS

7 STAFF COSTS

	2010 £000	2009 £000
Wages and salaries	82,824	84,752
Social security costs	6,407	6,636
Pension costs (Note 35)	15,348	14,890
	<u>104,579</u>	<u>106,278</u>
less: paid on behalf of other organisations	(3,129)	(2,983)
less: capitalised within the cost of buildings	(301)	(277)
	<u><u>101,149</u></u>	<u><u>103,018</u></u>
Emoluments of the Vice-Chancellor		
Salary and benefits in kind	278	275
Pension contributions	64	58
	<u>342</u>	<u>333</u>

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 a balance of £32,300 remained at the end of the year, an increase of £244. 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):

	2010 Number	2009 Number
£100,000 - £109,999	14	14
£110,000 - £119,999	4	5
£120,000 - £129,999	3	-
£130,000 - £139,999	1	3
£140,000 - £149,999	3	3
£150,000 - £159,999	-	1
£160,000 - £169,999	4	-
£170,000 - £179,999	-	2
£230,000 - £239,999	-	1

NOTES TO THE ACCOUNTS

7 STAFF COSTS (continued)

Average staff numbers by major category:	2010 Number	2009 Number
Academic/clinical	950	1,022
Technical	152	149
Administrative, library, computing etc.	449	438
Other, including clerical and manual	785	808
	<u>2,336</u>	<u>2,417</u>

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs	Other Operating Expenses	Dep'n	Interest Payable	2010 Total	2009 Total
	£000	£000	£000	£000	£000	£000
Academic departments	52,332	12,515	502	12	65,361	66,254
Academic services						
Bath University Computing Services	3,522	842	463	-	4,827	4,352
Library	2,899	2,792	36	-	5,727	5,459
Other academic services	3,349	1,205	2	-	4,556	4,120
Central administration	8,443	1,954	-	-	10,397	11,308
General educational expenditure	1,217	7,033	6	-	8,256	8,186
Staff and student facilities	3,610	1,585	71	-	5,266	5,457
Premises	5,495	6,646	3,564	1,235	16,940	17,482
Residences and catering operations	4,824	6,184	2,509	1,708	15,225	13,933
Research grants and contracts	12,485	7,466	1,289	-	21,240	22,555
Other services rendered	2,955	2,208	-	81	5,244	5,632
Other expenses	18	806	-	1,855	2,679	2,457
	<u>101,149</u>	<u>51,236</u>	<u>8,442</u>	<u>4,891</u>	<u>165,718</u>	<u>167,195</u>

The depreciation charge has been funded by :

	2010 £000	2009 £000
Deferred capital grants released (Note 23)	3,850	4,242
General Income	4,592	3,538
	<u>8,442</u>	<u>7,780</u>

NOTES TO THE ACCOUNTS

8 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)

Other Operating Expenses include :	2010	2009
	£000	£000
External Auditors Remuneration (Group and University)		
- Audit Services	46	45
- Consolidated financial statement	5	10
- Grant claims	2	1
- US federal loan	-	4
- Subsidiaries	53	60
- Other Services	-	12
- Tax computation consultancy		
Operating Lease Rentals		
- Land and Buildings	3,805	3,676
- Other	272	400

Reimbursements to Council Members for expenditure incurred whilst carrying out their duties amounted to £3,932.

Council Members did not receive any remuneration from the University.

9 INTEREST AND OTHER FINANCE COST

	Consolidated		University	
	2010	2009	2010	2009
	£000	£000	£000	£000
Loans not wholly repayable within five years	3,024	3,016	3,024	3,016
Finance leases	12	19	12	19
Other interest charges	17	3	111	29
Net interest on local government pension scheme (Note 35)	1,838	1,278	1,838	1,278
	<u>4,891</u>	<u>4,316</u>	<u>4,985</u>	<u>4,342</u>

10 WRITE-DOWN OF FIXED ASSET INVESTMENTS

	2010	2009
	£000	£000
Provision made for diminution in value of fixed asset investments during the year (Note 15)	<u>1,347</u>	<u>175</u>

NOTES TO THE ACCOUNTS

11 EXCEPTIONAL ITEMS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Sale of Sulis Investments	-	(3,776)	-	(3,776)
	<u>-</u>	<u>(3,776)</u>	<u>-</u>	<u>(3,776)</u>

12 DISPOSAL OF FIXED ASSETS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Net surplus/(loss) on disposal of tangible fixed assets	(57)	98	(57)	98
Surplus/(loss) on sale of fixed asset investments (see Note 15)	(128)	2	(128)	2
	<u>(185)</u>	<u>100</u>	<u>(185)</u>	<u>100</u>

13 CONTINGENT LIABILITY

There has been an ongoing dispute relating to the final costs of the Sports Training Village, completed in 2004, which has been reported in the Financial Statements for the last five years. There was an adjudication decision in December 2005 and the University paid over the declared additional sum. While the adjudication was heard and the sum paid the dispute is not formally closed; however the University does not anticipate any further claim.

NOTES TO THE ACCOUNTS

14 TANGIBLE FIXED ASSETS

	Consolidated				
	Land and Buildings		Equipment	Assets in	Total
	Freehold	Long Leasehold		Course of Construction	
	£000	£000	£000	£000	£000
Valuation/Cost					
At 1 August 2009					
Cost	5,435	209,880	46,181	15,234	276,730
Valuation	-	-	356	-	356
Additions at Cost	-	14,499	3,815	15,598	33,912
Additions at Valuation	-	-	-	-	-
Transfer assets brought into use	-	13,741	-	(13,741)	-
Disposals at Cost	-	-	(3,959)	-	(3,959)
Disposals at Valuation	-	-	(20)	-	(20)
At 31 July 2010					
Cost	5,435	238,120	46,037	17,091	306,683
Valuation	-	-	336	-	336
Depreciation					
At 1 August 2009	228	43,355	40,925	-	84,508
Charge for Year	68	5,692	2,682	-	8,442
Eliminated on Disposals	-	-	(3,877)	-	(3,877)
At 31 July 2010	296	49,047	39,730	-	89,073
Net Book Value					
At 31 July 2010	5,139	189,073	6,643	17,091	217,946
At 1 August 2009	5,207	166,525	5,612	15,234	192,578

NOTES TO THE ACCOUNTS

14 TANGIBLE FIXED ASSETS (continued)

	University				Total £000
	Land and Buildings		Equipment £000	Assets in Course of Construction £000	
	Freehold £000	Long Leasehold £000			
Valuation/Cost					
At 1 August 2009					
Cost	5,435	211,633	46,181	15,234	278,483
Valuation	-	-	356	-	356
Additions at Cost	-	14,499	3,815	15,598	33,912
Additions at Valuation	-	-	-	-	-
Transfer assets brought into use	-	13,741	-	(13,741)	-
Disposals at Cost	-	-	(3,959)	-	(3,959)
Disposals at Valuation	-	-	(20)	-	(20)
At 31 July 2010					
Cost	5,435	239,873	46,037	17,091	308,436
Valuation	-	-	336	-	336
Depreciation					
At 1 August 2009	228	40,603	40,925	-	81,756
Charge for Year	68	6,193	2,682	-	8,943
Eliminated on Disposals	-	-	(3,877)	-	(3,877)
At 31 July 2010	296	46,796	39,730	-	86,822
Net Book Value					
At 31 July 2010	5,139	193,077	6,643	17,091	221,950
At 1 August 2009	5,207	171,030	5,612	15,234	197,083

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 £1,901,000. 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 £2,550,000. 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.

There was no interest capitalised during the year (2009 : £152,000).

The gross amount of depreciable assets included in land and buildings and assets in the course of construction is £260,166,000.

The net book value of tangible fixed assets includes an amount of £248,000 (2009 : £301,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £67,000 (2009 : £119,000).

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

NOTES TO THE ACCOUNTS

15 FIXED ASSET INVESTMENTS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
At 1 August				
Investments in subsidiary companies	-	-	2,715	2,715
Other investments	3,543	916	3,543	916
	<u>3,543</u>	<u>916</u>	<u>6,258</u>	<u>3,631</u>
Acquisition of investments	-	3,677	-	3,677
Disposal of investments	(215)	(875)	(2,930)	(875)
Write-down of investments	(1,347)	(175)	(1,347)	(175)
At 31 July				
Investments in subsidiary companies	-	-	-	2,715
Other investments	1,981	3,543	1,981	3,543
	<u>1,981</u>	<u>3,543</u>	<u>1,981</u>	<u>6,258</u>
Balance at 31 July	<u>1,981</u>	<u>3,543</u>	<u>1,981</u>	<u>6,258</u>

Fixed asset investments were written down in the year on the basis of the most recent portfolio valuation, which indicated a £1.3 million impairment.

Subsidiary companies

The University owns 100% of the following companies which are registered in England :-

<i>Company Name</i>	<i>Principal Activities</i>	<i>Share holding</i>
University of Bath Three Ltd	Dormant	100 £1 ordinary
Glophotonics Ltd	Dormant	1000 £0.001 ordinary

During the year, two dormant companies were struck off. These were :-

University of Bath One Ltd	Dormant	100 £1 ordinary
University of Bath Two Ltd	Dormant	100 £1 ordinary

During the year, one company was liquidated :-

University of Bath Four Ltd	Property leasing	905 £1 ordinary
-----------------------------	------------------	-----------------

Following the sale, in July 2009, of the Westwood residences to the University, University of Bath Four Ltd had no further purpose. In order to ensure that the Company's assets devolved in an orderly fashion to the University (the sole shareholder), the Company was wound up through a Members Voluntary Liquidation.

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 fund-raise in that country.

NOTES TO THE ACCOUNTS

15 FIXED ASSET INVESTMENTS (continued)

Other investments

		2010	2009
<i>Included above:</i>			
CVCP Properties plc	£1 ordinary shares	£35,813	£35,813
AdsFab Ltd	£1 'C' ordinary shares	£5,000	£5,000
Bath Crescent Seedcorn Fund	Investment	£1,940,424	£3,502,124
		<u>£1,981,237</u>	<u>£3,542,937</u>

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

Company	Value £	No. of shares	% Holding	Type of shares
Apitope International	100,712	119,207	1.58	A ordinary shares
Atlas Genetics Ltd	19,880	778	3.77	Ordinary shares (0.1p)
Azellon	97,253	12,967	4.67	A Ordinary shares (£0.001)
Glythera	110,000	14,647	9.71	Ordinary shares (£0.001)
Ilika Technologies Ltd	297,585	5,835	3.49	Ordinary shares (1p)
Karus Therapeutics	170,283	1,297	3.61	Ordinary Shares (0.01p)
KWS Biotest	19,500	39	5.20	B Shares (£1)
Lectus Therapeutics Ltd	0	194,500	0.73	A Preferred Shares (£0.001)
Micrima Limited	0	132,908	3.15	Ordinary Shares (£0.001)
Nanotecture Group Ltd	147,212	291,509	1.94	Ordinary Shares (1p)
Perpetuum Ltd	188,089	141,868	1.68	Ordinary shares (£0.0005)
Plexus Planning Ltd	19,451	3,705	1.33	Ordinary Shares (£0.01)
Provision Communication Technology Ltd	0	3,692	0.36	A Ordinary shares (1p)
Retention People Ltd	85,337	2,016	7.35	Ordinary "B" Shares (£0.01)
Retention People Ltd	14,141	14,145	n/a	Preference Shares (£1)
Revolymmer Limited	480,168	12,967	1.60	Ordinary Shares (£0.008)
Stratophase Ltd	49,167	11,251	0.76	Ordinary shares (0.1p)
Symetrica	141,646	8,257	2.53	Ordinary shares (0.1p)
Xmos	0	131,065	0.91	Series S Ordinary shares (0.0001p)
		<u>1,940,424</u>		

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

NOTES TO THE ACCOUNTS

15 FIXED ASSET INVESTMENTS (continued)

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

Company	No. of shares	Type of shares
Piraeus Limited	100	100p ordinary shares
Emersons Green Development Company	500	10p ordinary shares
Xiwave Limited	4,800,000	0.1p ordinary shares
Microsulis Limited (in administration)	11,161,316	0.01p 'A' ordinary shares
Atlas Genetics Limited	600	1p ordinary shares
Nano-Porous Solutions Limited	167,570	0.1p ordinary shares
Glythera Ltd	53,288	0.1p ordinary shares

During the year, the University's shares in Nanogan Ltd were sold for an immediate cash payment and a commitment to make further payments linked to the achievement of milestones, subject to a working capital adjustment.

	£000
Disposal of investment	(215)
Cash received to date	87
	<hr/>
Loss on disposal as at 31 July 2010 (Note 12)	<u>(128)</u>

NOTES TO THE ACCOUNTS

16 ENDOWMENT ASSET INVESTMENTS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Balance at 1 August	2,677	2,718	2,677	2,718
New endowments (Note 24)	1,527	370	1,527	370
Decrease in market value of investments	-	(407)	-	(407)
Income generated less expenditure	(20)	(4)	(20)	(4)
Balance at 31 July	<u>4,184</u>	<u>2,677</u>	<u>4,184</u>	<u>2,677</u>
Quoted investments	-	-	-	-
Cash and other short term investments	4,184	2,677	4,184	2,677
Total endowment asset investments	<u>4,184</u>	<u>2,677</u>	<u>4,184</u>	<u>2,677</u>

Certain endowment donations attract HEFCE matched funding. This is accounted for in general income, but the University will apply the funds to the aims of the related endowments.

17 DEBTORS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Prepayments and accrued income	1,828	1,651	1,828	1,651
Sponsored research	7,006	6,855	7,006	6,855
Amounts owed by group undertakings	-	-	-	67
Other debtors	6,679	4,469	6,679	4,459
	<u>15,513</u>	<u>12,975</u>	<u>15,513</u>	<u>13,032</u>
Due within one year	14,884	12,575	14,884	12,632
Due in more than one year	629	400	629	400
	<u>15,513</u>	<u>12,975</u>	<u>15,513</u>	<u>13,032</u>

18 PROVISION - SWINDON EXIT COSTS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
At 1 August	467	791	467	791
Movement in year	(467)	(324)	(467)	(324)
At 31 July	<u>-</u>	<u>467</u>	<u>-</u>	<u>467</u>

NOTES TO THE ACCOUNTS

19 CURRENT ASSET INVESTMENTS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Quoted investments	26	36	26	36
Hedge funds	-	-	-	-
Certificates of deposit	3,712	30,750	3,712	30,750
Fixed deposit	23,000	-	23,000	-
Gilts & Other Fixed Interest investments	32,078	25,945	32,078	25,945
Cash held for investment	1,538	1,724	1,538	1,724
	<u>60,354</u>	<u>58,455</u>	<u>60,354</u>	<u>58,455</u>
Quoted investments at market value	<u>134</u>	<u>307</u>	<u>134</u>	<u>307</u>
Hedge funds at market value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gilts & Other Fixed Interest investments at market value	<u>32,641</u>	<u>25,991</u>	<u>32,641</u>	<u>25,991</u>

The quoted investments 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 2010 of £13,000 (2009: £14,000) and Vectura Group plc, which had a market value at 31 July 2010 of £121,000 (2009: £293,000).

20 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Obligations under finance leases	44	55	44	55
Amounts owed to group undertakings	-	-	-	4,097
Other creditors including taxation and social security	9,232	7,271	9,232	7,411
Accruals and Deferred income	27,713	25,821	27,712	25,821
	<u>36,989</u>	<u>33,147</u>	<u>36,988</u>	<u>37,384</u>

21 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Bank loans (Note 22)	104,000	104,000	104,000	104,000
Obligations under finance leases	66	1	66	1
Total due after more than one year	<u>104,066</u>	<u>104,001</u>	<u>104,066</u>	<u>104,001</u>

NOTES TO THE ACCOUNTS

22 BORROWINGS

<i>Analysis of Financing</i>	Consolidated		University	
	2010	2009	2010	2009
	£000	£000	£000	£000
Finance leases: analysis of obligations:				
In one year or less	44	55	44	55
Between two and five years	66	1	66	1
	<u>110</u>	<u>56</u>	<u>110</u>	<u>56</u>
Bank loans and overdrafts are repayable as follows:				
Between one and two years	1,040	-	1,040	-
Between two and five years	6,240	5,200	6,240	5,200
In five years or more	96,720	98,800	96,720	98,800
	<u>104,000</u>	<u>104,000</u>	<u>104,000</u>	<u>104,000</u>

The University has two loans, each of £52m. Of the £104m total loans, £26m is under a Revolving Credit Facility, open until December 2011, which has been fully drawn down.

Loan 1

Rate		Base Rate/LIBOR + margin + MLAs
Repayment - Tranche 1	£26m	Quarterly repayments from Dec 2011 to 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 :-

Amount subject to swap £m	Fixed Interest Rate %	Expiry Date
11.30	6.36%	February 2012
10.00	1.24%	June 2027
20.00	5.16%	December 2036
10.00	3.95%	November 2037
<u>51.30</u>		

The June 2027 interest rate swap is based on the Retail Price Index (RPI), updated annually. The fixed rate up to May 2010 was 5.66%. From June 2010 the rate changed to 1.24%.

NOTES TO THE ACCOUNTS

23 DEFERRED CAPITAL GRANTS

	Consolidated		
	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2009			
Land & Buildings	49,008	24,903	73,911
Equipment at Cost	1,570	1,187	2,757
Equipment at Valuation	-	119	119
	<u>50,578</u>	<u>26,209</u>	<u>76,787</u>
Grants receivable			
Land & Buildings	14,968	183	15,151
Equipment at Cost	404	1,661	2,065
Disposals			
Equipment	-	(46)	(46)
Released to Income and Expenditure			
Land & Buildings	(1,472)	(594)	(2,066)
Equipment at Cost	(470)	(1,314)	(1,784)
At 31 July 2010			
Land & Buildings	62,504	24,492	86,996
Equipment at Cost	1,504	1,488	2,992
Equipment at Valuation	-	119	119
	<u>64,008</u>	<u>26,099</u>	<u>90,107</u>
	University		
	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2009			
Land & Buildings	48,847	24,902	73,749
Equipment at Cost	1,570	1,187	2,757
Equipment at Valuation	-	119	119
	<u>50,417</u>	<u>26,208</u>	<u>76,625</u>
Grants receivable			
Land & Buildings	14,967	184	15,151
Equipment at Cost	404	1,661	2,065
Disposals			
Equipment	-	(46)	(46)
Released to Income and Expenditure			
Land & Buildings	(1,460)	(594)	(2,054)
Equipment at Cost	(470)	(1,314)	(1,784)
At 31 July 2010			
Land & Buildings	62,354	24,492	86,846
Equipment at Cost	1,504	1,488	2,992
Equipment at Valuation	-	119	119
	<u>63,858</u>	<u>26,099</u>	<u>89,957</u>

NOTES TO THE ACCOUNTS

24 ENDOWMENTS (Consolidated and University)

	Restricted Permanent £000	Restricted Expendable £000	2010 Total £000	2009 Total £000
At 1 August				
Capital	2,364	196	2,560	2,623
Accumulated Income	98	19	117	95
	<u>2,462</u>	<u>215</u>	<u>2,677</u>	<u>2,718</u>
Reclassification of funds - Capital	46	(46)	-	-
- Accumulated income	1	(1)	-	-
New endowments	26	1,501	1,527	370
Investment income	23	10	33	65
Expenditure - from capital	-	(9)	(9)	(26)
Expenditure - from income	(39)	(5)	(44)	(43)
Decrease in market value of investments	-	-	-	(407)
	<u>2,519</u>	<u>1,665</u>	<u>4,184</u>	<u>2,677</u>
At 31 July				
Representing:				
Capital	2,436	1,642	4,078	2,560
Accumulated Income	83	23	106	117
	<u>2,519</u>	<u>1,665</u>	<u>4,184</u>	<u>2,677</u>

25 INCOME & EXPENDITURE ACCOUNT RESERVES

	Consolidated		University	2009
	2010 £000	2009 £000	2010 £000	£000
At 1 August				
excluding pension reserve	55,797	41,588	58,848	38,749
pension reserve (Note 35)	(28,118)	(27,534)	(28,118)	(27,534)
Surplus for the year				
excluding pension reserve	18,556	14,205	19,646	20,095
relating to the pension reserve (Note 35)	(2,030)	(1,940)	(2,030)	(1,940)
Net Surplus for the year	16,526	12,265	17,616	18,155
Transfer from/(to) accumulated income in endowment funds	20	4	20	4
Actuarial gain/(loss) on pension scheme (Note 35)	6,551	1,356	6,551	1,356
	<u>74,373</u>	<u>55,797</u>	<u>78,514</u>	<u>58,848</u>
At 31 July				
excluding pension reserve	74,373	55,797	78,514	58,848
pension reserve (Note 35)	(23,597)	(28,118)	(23,597)	(28,118)
	<u>50,776</u>	<u>27,679</u>	<u>54,917</u>	<u>30,730</u>

NOTES TO THE ACCOUNTS

26 CAPITAL COMMITMENTS AND LEASE OBLIGATIONS

	2010	2009
	£000	£000
Funded by :-		
University funds	4,981	8,046
Loans	-	1,971
HEFCE grants	6,238	11,437
Capital commitments contracted at 31 July	<u>11,219</u>	<u>21,454</u>

In addition, the University had annual operating lease commitments in respect of leased property on leases that expire after 5 years of £3,887,000 (2009: £3,816,000).

27 HARDSHIP, ACCESS BURSARY AND ACCESS FUNDS

	2010	2009
	£000	£000
Balance at 1 August	72	67
Higher Education Funding Council for England grants	132	162
Interest earned	1	3
	<u>205</u>	<u>232</u>
Disbursements	(139)	(160)
Balance at 31 July	<u>66</u>	<u>72</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.

28 BURSARIES FROM THE TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS

	2010	2009
	£000	£000
Balance at 1 August	31	71
Grant received	1,145	1,093
Disbursements	(1,306)	(1,133)
Balance at 31 July	<u>(130)</u>	<u>31</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

29 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2010 £000	2009 £000
Surplus on continuing operations after exceptional items and tax	16,526	12,265
Pension cost less contributions payable (Note 35)	192	662
Depreciation (Note 14)	8,442	7,780
Deferred capital grants released to income (Note 23)	(3,850)	(4,242)
Net loss/(surplus) on disposal of tangible fixed assets (Note 12)	57	(98)
Surplus/(Loss) on sale of fixed asset investments (Note 12)	128	(2)
Surplus on disposal of Sulis Seedcorn Fund Ltd	-	(2,615)
Write-down of fixed asset investments (Note 10)	1,347	175
Endowment and investment income receivable (Note 6)	(1,646)	(2,495)
Interest payable (Note 9)	4,891	4,316
Decrease in stocks	-	11
(Increase)/Decrease in debtors on operating activities	(2,477)	1,430
Increase/(Decrease) in creditors on operating activities	2,828	(4,763)
	<u>26,438</u>	<u>12,424</u>
Net cash inflow from operating activities	<u>26,438</u>	<u>12,424</u>

30 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2010 £000	2009 £000
Income received from endowments (Note 6)	33	65
Income received from short term investments	35	495
Other interest received	1,342	2,287
Interest paid:		
- Other interest paid	(2,994)	(2,561)
- Finance leases (Note 9)	(12)	(19)
- Other interest charges (Note 9)	(17)	(3)
	<u>(1,613)</u>	<u>264</u>

31 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2010 £000	2009 £000
Payments to acquire tangible fixed assets	(33,385)	(21,952)
Net purchases of fixed asset investments	-	(1,348)
Net sales of endowment asset investments	-	1,650
Receipts from sales of tangible fixed assets	-	98
Receipts from sale of fixed asset investment	87	2
Receipt from disposal of Sulis Seedcorn	-	1,161
Deferred capital grants received	17,216	3,144
Endowments received (Note 24)	1,527	370
	<u>(14,555)</u>	<u>(16,875)</u>

NOTES TO THE ACCOUNTS

32 MANAGEMENT OF LIQUID RESOURCES

	2010 £000	2009 £000
Net sales of quoted investments	10	1,802
Net sales of certificates of deposit	27,038	8,866
Net (purchases) of gilts & other fixed interest investments	(808)	(25,945)
Net sales of hedge funds	-	2,000
Net (addition)/reduction to fixed term deposits	(28,150)	5,000
	<u>(1,910)</u>	<u>(8,277)</u>

33 ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	Loans £000	Finance leases £000	2010 Total £000	2009 Total £000
Balance outstanding at 1 August	104,000	56	104,056	89,260
New loans/leases	-	118	118	14,811
Capital repayments	-	(64)	(64)	(167)
Net change in year	-	54	54	14,644
Non-cash movement - interest capitalised	-	-	-	152
	<u>104,000</u>	<u>110</u>	<u>104,110</u>	<u>104,056</u>

34 ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 2009 £000	Cash Flows £000	Other Changes £000	At 31 July 2010 £000
Cash at bank and in hand:				
Held in endowment asset investments	2,677	1,507	-	4,184
Cash held for investment	1,724	(186)	-	1,538
Other cash at bank and in hand	2,087	7,093	-	9,180
	<u>6,488</u>	<u>8,414</u>	<u>-</u>	<u>14,902</u>
Other current asset investments	56,731	1,910	175	58,816
Debt due within one year (Note 20)	(55)	55	(44)	(44)
Debt due after one year (Note 21)	(104,001)	(109)	44	(104,066)
	<u>(40,837)</u>	<u>10,270</u>	<u>175</u>	<u>(30,392)</u>

NOTES TO THE ACCOUNTS

35 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 135,000 active members and the University has 1,626 active members participating in the scheme.

The appointment of directors to the board of the trustee is determined by the 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 2008. This was the first 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 qualified and independent actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 is also included in this note.

The 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 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion in line reflecting historic Scheme experience, with a cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables - No age rating

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 assumed life expectancy on retirement at age 65 are :-

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

NOTES TO THE ACCOUNTS

35 PENSIONS (continued)

Universities Superannuation Scheme (continued)

At the valuation date, the market value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% 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 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% 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 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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 except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. 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.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

NOTES TO THE ACCOUNTS

35 PENSIONS (continued)

Universities Superannuation Scheme (continued)

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 scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increase	Increase/decrease by 0.5%	Decrease/increase by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Decrease/increase by £0.7 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by £1.6 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.

The trustee believes 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 bias towards 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 has agreed 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 strong 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 minimizing 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.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

NOTES TO THE ACCOUNTS

35 PENSIONS (continued)

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	6.75%	6.50%
- post retirement	5.60%	6.50%
Salary inflation	4.35%	4.00%
Pension inflation	3.10%	2.75%
Valuation date		31 March 2007
Valuation method		Projected Unit
Market value of assets at date of last valuation		£2,184 million
Market value of assets as a percentage of accrued benefits		83%

The contributions payable by the University were equal to 14.3% of total pensionable salaries.

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 2004, updated to July 2007 by a qualified independent actuary.

The material assumptions used by the actuary for FRS17 at 31 July 2010 were:

at end of year	31 July 2010 %	31 July 2009 %
Rate of RPI inflation	3.20	3.70
Rate of CPI inflation	2.70	3.20
Rate of increase in salaries	4.45	4.95
Rate of increase in pensions	2.70	3.70
Discount rate	5.50	6.30
<i>Post retirement mortality assumptions</i>		
Non-retired members (retiring in the future in normal health)	PA92mc YOB Tables+1year	PA92mc YOB Tables+1year
Current pensioners	PA92mc YOB Tables+1year, if retired in normal health.	PA92mc YOB Tables+1year, if retired in normal health.
<i>Life expectancy</i>		
Male (female) future pensioner aged 65 in 20 years time	22.2 (25.0) years	22.2 (25.0) years
Male (female) current pensioner aged 65	21.2 (24.1) years	21.2 (24.0) years

NOTES TO THE ACCOUNTS

35 PENSIONS (continued)

The assets in the scheme and expected rate of return were:

	Long term rate of return expected at 2010	Value at 31 July 2010 £000	Long term rate of return expected at 2009	Value at 31 July 2009 £000	Value at 31 July 2008 £000
Equities	7.5%	38,440	7.5%	33,555	35,163
Government bonds	4.2%	9,690	4.5%	7,395	9,916
Other bonds	5.1%	5,647	5.8%	4,581	2,964
Property	6.5%	3,144	6.5%	166	-
Cash/Liquidity	0.5%	1,412	0.5%	3,808	2,793
Other	7.5%	5,840	7.5%	5,685	6,155
		<u>64,173</u>		<u>55,190</u>	<u>56,991</u>

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

	2010 £000	2009 £000	2008 £000
Market value of assets	64,173	55,190	56,991
Present value of scheme liabilities	(87,770)	(83,308)	(84,525)
Net pension liability	<u>(23,597)</u>	<u>(28,118)</u>	<u>(27,534)</u>

NOTES TO THE ACCOUNTS

35 PENSIONS (continued)

Amounts charged to income and expenditure account

	2010	2009
	£000	£000
<i>Included in staff costs for the year (Note 7)</i>		
Current service cost	2,486	3,034
Past service cost/(gain)	-	-
Settlements and curtailments	165	87
Total operating charge	<u>2,651</u>	<u>3,121</u>

Analysis of amount charged to interest payable

	2010	2009
	£000	£000
Expected return on pension scheme assets	(3,417)	(3,747)
Interest on expected scheme liabilities	5,255	5,025
Net charge	<u>1,838</u>	<u>1,278</u>

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

	2010	2009
	£000	£000
Actual return less expected return on pension scheme assets	5,378	(6,264)
Change in assumptions underlying the present value of the scheme liabilities	1,173	7,620
Experience loss arising on scheme liabilities	-	-
Actuarial gain/(loss) recognised in the STRGL	<u>6,551</u>	<u>1,356</u>

NOTES TO THE ACCOUNTS

35 PENSIONS (continued)

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

	2010 £000	2009 £000
Deficit in scheme at 1 August	28,118	27,534
Movement in the year:		
Current service cost	2,486	3,034
Contributions by the employer	(2,459)	(2,459)
Past service and curtailment cost/(gain)	-	-
Impact of settlements and curtailments	165	87
Net finance charge on assets and liabilities	1,838	1,278
Net Movement in the year	2,030	1,940
Actuarial (gain)/loss	(6,551)	(1,356)
Deficit in scheme at 31 July	<u>23,597</u>	<u>28,118</u>

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

	2010 £000	2009 £000
At the beginning of the year	83,308	84,525
Current service cost	2,486	3,034
Interest on pension liabilities	5,255	5,025
Member contributions	1,046	1,076
Past service cost	-	-
Actuarial (gains)/losses on liabilities - change in inflation base	(5,990)	-
Actuarial (gains)/losses on liabilities - other	4,817	(7,620)
Curtailments	165	87
Benefits/transfers paid	(3,317)	(2,819)
At the end of the year	<u>87,770</u>	<u>83,308</u>

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

	2010 £000	2009 £000
At the beginning of the year	55,190	56,991
Actuarial adjustment to the opening balance	-	-
Expected return on plan assets	3,417	3,747
Actuarial gains/(losses) on assets	5,378	(6,264)
Contributions by the employer	2,459	2,459
Contributions by scheme participants	1,046	1,076
Benefits/transfers paid	(3,317)	(2,819)
At the end of the year	<u>64,173</u>	<u>55,190</u>

NOTES TO THE ACCOUNTS

35 PENSIONS (continued)

History of experience gains and losses

	2010	2009	2008	2007	2006
Difference between the expected and actual return on scheme assets					
Amount (£000)	5,378	(6,264)	(6,189)	1,714	2,447
Percentage of scheme assets	8.4%	11.3%	10.9%	2.9%	4.6%
Experience gains and (losses) on scheme liabilities					
Amount (£000)	0	0	(817)	0	(1,052)
Percentage of present value of scheme liabilities	0.0%	0.0%	1.0%	0.0%	1.6%
Total amount recognised in Statement of Total Recognised Gains and (Losses)					
Amount (£000)	6,551	1,356	(14,092)	1,946	(960)
Percentage of present value of scheme liabilities	7.5%	1.6%	16.7%	2.7%	1.5%

Total pension costs (Note 7)

	2010 £000	2009 £000
Universities Superannuation Scheme: contributions	12,605	11,670
Avon Pension Fund	2,651	3,121
Contributions to other pension schemes	92	99
	<u>15,348</u>	<u>14,890</u>

Inflation assumption

In its June 2010 budget the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The University has considered the Local Government Pension Scheme rules and associated members' literature and has concluded that this change is a change in actuarial assumptions and so has recognised the resulting credit in the Statement of Recognised Gains and Losses. At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue an Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change in the financial statements for the following year.

NOTES TO THE ACCOUNTS

36 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.

Mr R Whorrod, who is a member of Council, has made donations totalling £652,000 (including Gift Aid) to set up the Roger and Sue Whorrod Fund, which will be used to support the University's Centre for Sustainable Chemical Technologies, and to fund the Whorrod Bursaries for engineering undergraduates. These gifts also attract Government Matched Funding.

NOTES TO THE ACCOUNTS

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