

2008-2009

Financial **Statements**



UNIVERSITY OF
BATH

University of Bath

Financial Statements

for the year ended 31 July 2009

University of Bath

Financial Statements for the year ended 31 July 2009

Contents

| | PAGE |
|---|------|
| Report of the Treasurer | 2 |
| Corporate Governance | 8 |
| Responsibilities of the University's Council | 11 |
| Independent Auditors' Report | 12 |
| Statement of Principal Accounting Policies | 14 |
| Consolidated Income and Expenditure Account for the year ended 31 July 2009 | 18 |
| Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2009 | 19 |
| Statement of Consolidated Total Recognised Gains and Losses for the year ended 31 July 2009 | 19 |
| Balance Sheets as at 31 July 2009 | 20 |
| Consolidated Cash Flow Statement for the year ended 31 July 2009 | 21 |
| Reconciliation of Net Cash Flow to Movement in Net Debt | 21 |
| Notes to the Accounts | 22 |

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 report that the University has made a surplus after depreciation and exceptional items for the 6th consecutive year. The operating cashflow has remained strong and has supported further investment in the University's Estate which has resulted in an increase in the consolidated Net Asset value.

The University made an exceptional gain of £3,776,000 during the year following the termination of the Sulis Seedcorn Fund Limited Partnership on 2 August 2008. A combined loss of £75,000 was made on the disposal of fixed assets and investment write downs. A summary of the results for the year is shown below:

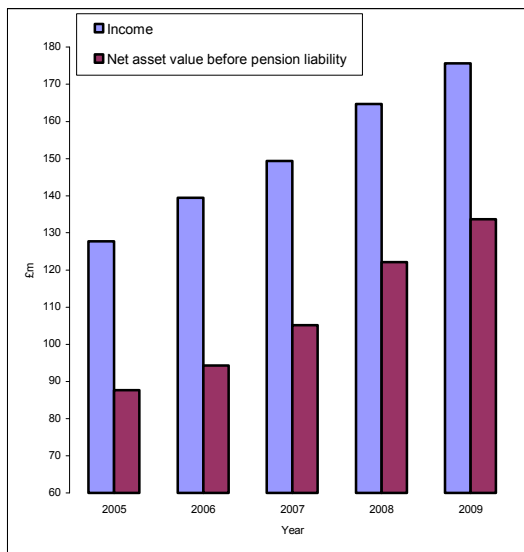
| | £000 2009 | £000 2008 | % Increase |
|--|------------------|------------------|---------------|
| Income | 175,759 | 164,780 | 7% |
| Expenditure | <u>(167,195)</u> | <u>(159,598)</u> | 5% |
| Surplus on continuing operations | 8,564 | 5,182 | 65% |
| Write-down of Investments | (175) | - | |
| Exceptional items and losses on disposal of fixed assets | <u>3,876</u> | <u>(1,916)</u> | |
| Net surplus after exceptional items and disposal of fixed assets | <u>12,265</u> | <u>3,266</u> | 275% |
| Net assets excluding pension liability | <u>135,261</u> | <u>122,076</u> | 11% |
| Net assets including pension liability | <u>107,143</u> | <u>94,542</u> | 13% |
| Net cash inflow from operating activities | <u>12,424</u> | <u>13,672</u> | 10% |

The University aims to grow its income from teaching, research and knowledge transfer in a sustainable manner. The increase in both income and surplus on continuing operations are evidence of success in this area. This is further illustrated on the tables below which show the progression of the key financial measures over the last 5 years. The economic perturbations of the last year have affected the University, reducing the return on its investments and

leading to a small reduction in the value of its endowment fund. However, the longer term consequences of constraints on public funding and increasing competition for international students and research income are likely to present a more significant threat to the sustainability of the University's income.

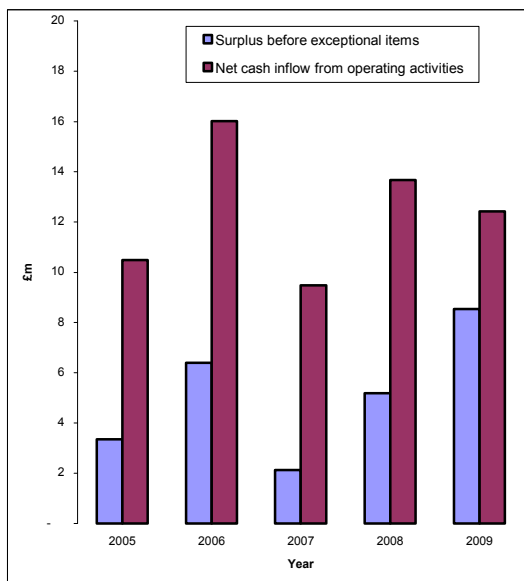
The University is dependent on public funding and any reduction as part of wider measures to reduce the level of public sector borrowing is likely to have a significant impact on the University.

The University has benefited from an increase in full-time overseas students income in recent years with an 85% growth in the 5 years since 2003-04. The global economic situation, increasing competition and changes to visa requirements may all impact this income stream. The fall in the value of Sterling should provide some benefit in increasing the value of the University's offering when compared to its European and American competitors.



The HE sector has also reported significant growth in recent years as a consequence of the increase in tuition fees for home students in 2005. The full effect of this change will be felt by the University in 2009-10, after which further income growth (assuming that the current controls over the numbers of home/EU undergraduates remain) will be dependent on agreement to increase the cap on tuition fees.

The University was very successful in the RAE 2008 being ranked 18th out of all Universities and ranked in the top 10 in two thirds of the subjects submitted. Income from research grants and contracts has risen as the benefits of full economic costing have been realised. However, both HEFCE funding for research and grant and contract income from all sources must be considered vulnerable in the context of the need for public sector expenditure savings during the coming years and the increased competition for research funding within the HE sector.



Mindful of these factors the University has taken steps in the last year to reduce its expenditure on the Professional Services and support departments. This will reduce costs by circa £3m in a full year and the University has benefited from some of these savings in 2008-09. This action and the current year surplus will leave the University better placed to deal with the uncertainties outlined above than many in the sector.

Income

Total income increased in the year by 7% with growth in most areas. A 16% increase in full-time UK and EU tuition fees and a 5% increase in the HEFCE Core grant resulted in an 8% overall increase in this area, as can be seen in the table below.

| | 2009 | 2008 | % inc/(dec) |
|---|----------------|----------------|----------------|
| Funding council grants and home/EU tuition fees | 87,820 | 81,170 | 8% |
| Other tuition fees | 24,088 | 22,347 | 8% |
| Research grants and contracts | 30,377 | 28,619 | 6% |
| Accommodation and hospitality | 16,708 | 13,881 | 20% |
| Other services rendered | 7,886 | 7,952 | -1% |
| Other income | 8,880 | 10,811 | -18% |
| Total income | 175,759 | 164,780 | 7% |

Other tuition fees consists mainly of income from full-time overseas students which increased by 6% to £21.1m. Research grants also grew by 6%, slightly greater than the 4% growth reported last year. This is partly a result of the switch to the full economic costing basis of funding from the Research Councils. Accommodation and hospitality income increased by 20% on the previous year. The new Woodland Court residence was occupied for the first time in September 2008 and this accounted for approximately half of the growth with accommodation price increases and a growth in catering income providing the remainder. The income from other services showed no growth for the second consecutive year; a 17% increase from academic departments was off-set by decreases in income from sports and other facilities.

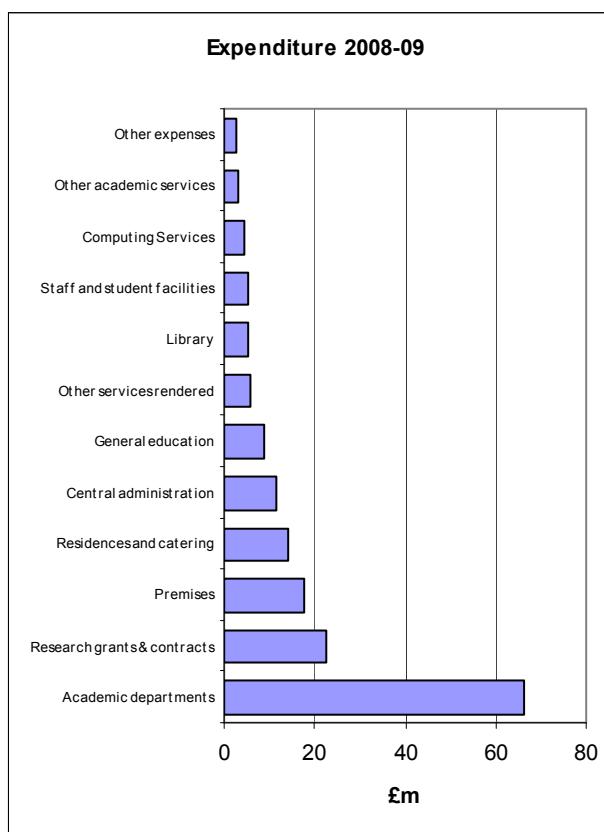
Expenditure

In total expenditure rose by 4.8% when compared to the previous year; however, staff costs increased by 7.1% and all other costs increased by 1.2%.

Staff costs, which now represent 61.6% of all expenditure compared to 60.2% last year, increased as a result of the 3% and 5% pay increases that were paid in May and September of 2008 as the final part of the three year pay settlement.

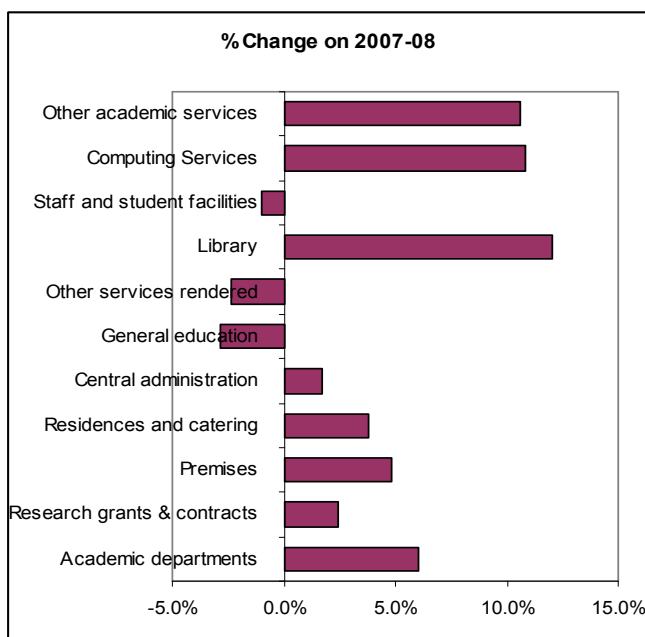
The pay settlement for the current year is expected to be far more modest. However, the increasing cost of the defined benefit pension schemes remains a significant issue for the University.

As mentioned earlier the University has taken measures to address the increasing cost base in the expectation of a tougher economic climate and these changes are only partially reflected in the expenditure for 2008-09.



The chart on the right shows the increase in expenditure by function (note 9) and demonstrates the University's continued investment in academic and academic related services such as the library and computing facilities.

Premises costs are affected by changes in utility costs. Electricity use has decreased by 9% in the last 3 years despite the growth in the estate. Whilst energy costs have fallen some way from their peak, both energy costs and the increasing pressure to reduce emissions will be significant issues for the University in the future.



Investment Performance

Endowment and investment income was £2.5m which represents an 18% reduction on the prior year. This fall is a result of the reduction in interest rates to historically low levels.

As I reported last year the University took the decision to sell its equity and hedge fund investments in October 2008. These sales took place during the last quarter of 2008 and January 2009. During this period the University assessed the funds required to finance the University's investment programme. The review concluded that the University's medium term funding requirement was not compatible with an investment in equities. The University placed £26m in gilts with Royal London Asset Management in January 2009 and anticipates holding these funds in gilts or corporate bonds until the funds are required for investment in the University's activities or estate.

The University's investments are primarily unrestricted internally generated funds (note 18) but there is also an element of endowment funds (note 16). The value of endowments and current asset investments increased in the year from £53.6m to £61.1m. Despite this increase the income reduced during the year as interest rates fell. As an indication of this change the 3 month LIBOR rates reduced from 5.78% to 0.89% at the end of the respective years. The impact of this reduction in interest rates was cushioned by the decision of the University to place funds at rates in excess of 6% in June and July 2008. This benefit will not be repeated in 2009-10 and the further decrease in 3 month LIBOR means that a much more significant reduction in investment income can be expected this year.

Endowment assets fell by 2% in the year to £2.68m as new endowments were off-set by the decrease in the market value of investments in the early part of 2008-09.

Cashflow

The cash inflow from operating activities decreased to £12.4m from £13.7m in the previous year. Although there is a higher operating surplus, £9.0m greater than in 2007-08, a £4.7m decrease in creditors compared to a £2.3m increase in the previous year off-sets a large part of this increase in surplus. Also, £2.6m of the surplus is attributable to the value of shares received following the termination of the Sulis Seedcorn Fund Limited Partnership. Further details can be found in note 28.

Capital expenditure and financial investment (note 30) was £16.9m, which is £8.1m higher than last year. Capital grants received during 2008-09 were £16.4m lower than the previous year as much of the grant relating to the construction of 4 West was received in 2007-08 but spent in 2008-09. Consequently the University's net debt increased from £36.5m to £40.8m at the end of the year. The level of net debt will increase during 2009-10 due to the continuing investment in the estate. It is worthwhile noting that the current level of net debt represents 23% of income for the year compared to 46% five years ago when the University's net debt was £58.8m.

Consolidated Balance Sheet

The continuing investment in the University's Estate is reflected in the balance sheet with a £15.0m increase in tangible assets during the year. Capital expenditure totalled £22.6m of which £2.4m was spent on equipment. The major building expenditure is shown in the table below.

| Project | £000 |
|--|---------------|
| 4 West | 6,122 |
| Woodland Court | 2,919 |
| 5 West refurbishment | 1,901 |
| Eastwood Houses refurbishment | 1,878 |
| Quarry and Mendip Residences refurbishment | 1,780 |
| Westwood Residences refurbishment | 1,064 |
| East Building | 789 |
| Other | 3,798 |
| Total | 20,251 |

Fixed asset investments increased to £3.5m as the assets of the Sulis Seedcorn Fund Limited Partnership were divided following the termination of the Partnership. Further details can be seen in note 15 of the accounts.

The University has now fully utilised its £104m loan facility having drawn down £14.9m during the year against capital expenditure that has been, or is due to be, incurred. Investments increased by £7.6m to £58.5m. Debtors decreased in the year by £1.8m with a £1.2m reduction in research debtors and a £1.0m reduction in other debtors. Payments in advance increased by £0.4m. Research creditors also fell in the year by £2.2m and, with a reduction in deferred income, accounted for the £2.9m reduction in Creditors due within 1 year. The result of these movements was a £13.1m increase in net assets before pension liabilities.

The Local Government Pension Scheme (LGPS) provision increased by £0.6m to £28.1m. Full details on the pension provision are given in note 35 but it should be noted that this provision relates only to the LGPS; the larger Universities Superannuation Scheme's (USS) deficit does not appear on the balance sheet of any institution. The funding and affordability of the current pension arrangements remains a matter of concern to the University.

In July 2009, one of the University's subsidiary companies, University of Bath Four Limited, sold the Westwood residences to the University for £9.9m. This transaction is reflected in the University's fixed asset additions, as is the covenant by gift aid from University of Bath Four Limited of the £5.9m profit on sale. However, both these items are eliminated from the Consolidated Accounts.

Following the sale, University of Bath Four Limited has no further purpose. In order to ensure that the Company's assets devolve in an orderly fashion to the University (the sole shareholder), the Company will be wound up through a Members Voluntary Liquidation.

Estate Developments

The construction of 4 West is now well under way and the problems that I reported on last year have been resolved albeit at a small additional cost. The project is due to be completed in the 2nd quarter of 2010 and will provide facilities for research centres, teaching space, lecture space, student support services and a post graduate centre. The additional café and social space on the 2nd floor of 4 West was opened in September 2009 and is proving to be a popular addition to the University's hospitality facilities.

The programme of refurbishing student residences is now substantially complete with further work completed on the upgrade to the Eastwood and Westwood Houses and to the Quarry and Mendip accommodation.

Significant areas of 5 West have also been updated including the addition of additional fume cupboards, refurbishment of the main lecture theatre, installation of pharmacy teaching laboratories and the creation of a second machine room which will provide additional security in the provision of IT facilities.

During the year Council approved a new Arts Complex and Student Centre. The Arts Centre will meet the needs of students through extra curricular courses, classes workshops and supporting the various student arts societies. It will also provide opportunities for academic teaching and research in interdisciplinary arts. The Student Centre will enhance student facilities and provide additional social space within the Student's Union.

Work commenced in September 2009 on the East Building which will provide flexible teaching and office space that will allow the University to temporarily relocate departments whilst their current accommodation (the older buildings surrounding the parade) are refurbished. As with all new developments the East building is designed to achieve an excellent BREEAM rating. This is part of the University's strategy to meet very challenging environmental targets.

The Climate Change Act (2008) will result in targets for the HE sector in line with government targets: in current consultation HEFCE is proposing a 50% reduction in emissions by 2020 against 1990 levels. Capital funding will be linked to carbon management plans and targets. The unit cost of energy has eased recently but it is generally accepted that the trend will be upwards in the future and we will continue to be exposed to this financial risk, as well as the risk of supply shortages in the gas and electricity networks. The price of carbon will increasingly become a factor in our decision-making due, in part, to the new emissions trading legislation, the Carbon Reduction Commitment, which will start in 2010. Other new regulations will result in new public sector buildings having to be 'zero carbon' by 2018.

The University was the first in the UK to go through the Carbon Trust Higher Education Carbon Management Programme back in 2003, and some of the foundations for recent improvements were set from this. However, the targets are very challenging and will be central to the University's approach to refurbishing the oldest parts of the estate.

Further public consultation has taken place on the University's Masterplan and this has now been submitted to Bath and North East Somerset Council for its comment and subsequent endorsement. The Masterplan is designed to provide additional academic, social and residential space while improving the overall environment of the campus.

Roger Pedder

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. 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 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.

Corporate Governance (continued)

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;
- 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.

Corporate Governance (continued)

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 2009 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.

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 2009 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 accounting policies set out therein.

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

Respective Responsibilities of the University's Council and the auditors

The University Council's responsibilities for preparing the Treasurer's Report and the Group and University financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2007), applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 11.

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

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

Independent Auditors' Report to the Council of the University of Bath (continued)

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and University as at 31 July 2009 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 (2007);
- 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 2009 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

E Holiday

for and on behalf of KPMG LLP. Statutory Auditor

26 November 2009

Chartered Accountants

*100 Temple Street
Bristol BS1 6AG
United Kingdom*

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 2009.

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.

Statement of Principal Accounting Policies (continued)

6 Pensions (cont'd)

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

8 Stocks

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

9 Maintenance of Premises

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

10 Provisions

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

11 Land and Buildings

Land and buildings are stated at cost. Land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over a period of 50 years on the basis that their average expected life is in excess of this period. Refurbishments are depreciated over the remaining life of the building concerned. Where a building is listed and has historical value then 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.

Statement of Principal Accounting Policies (continued)

11 Land and Buildings (cont'd)

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 Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. 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.

Statement of Principal Accounting Policies (continued)

15 Accounting for Charitable Donations and Endowments

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

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

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

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

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the Year Ended 31 July 2009

| | | <i>Consolidated</i> | |
|---|------|---------------------|--------------|
| | Note | 2009 £000 | 2008 £000 |
| Income | | | |
| Funding council grants | 1 | 61,746 | 58,015 |
| Tuition fees and education contracts | 2 | 50,162 | 45,502 |
| Research grants and contracts | 3 | 30,377 | 28,619 |
| Other income | 4 | 30,979 | 29,619 |
| Endowment and investment income | 6 | 2,495 | 3,025 |
| | | <hr/> | <hr/> |
| Total income | | 175,759 | 164,780 |
| Expenditure | | | |
| Staff costs | 7 | 103,018 | 96,174 |
| Other operating expenses | 9 | 52,081 | 51,249 |
| Depreciation | 9 | 7,780 | 7,697 |
| Interest payable | 8 | 4,316 | 4,478 |
| | | <hr/> | <hr/> |
| Total expenditure | | 167,195 | 159,598 |
| Surplus after depreciation of tangible fixed assets at cost/valuation and before exceptional items | | 8,564 | 5,182 |
| Write-down of fixed asset investments | 10 | (175) | - |
| Exceptional Items : | | | |
| Sale of Sulis Investments | 11 | 3,776 | - |
| Termination of operations in Swindon | 11 | - | (1,867) |
| Surplus/(loss) on disposal of assets | 12 | 100 | (49) |
| | | <hr/> | <hr/> |
| Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax | | 12,265 | 3,266 |
| Transfer from accumulated income in endowment funds | 16 | 4 | 18 |
| | | <hr/> | <hr/> |
| Surplus for year retained within general reserves | | 12,269 | 3,284 |
| | | <hr/> <hr/> | <hr/> <hr/> |

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

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
For the Year Ended 31 July 2009

| | Note | 2009 £000 | 2008 £000 |
|---|-------------|----------------------|----------------------|
| Surplus on continuing operations | | 12,265 | 3,266 |
| Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 25 | - | 20 |
| | | <u>12,265</u> | <u>3,286</u> |
| Historical cost surplus for the year | | <u>12,265</u> | <u>3,286</u> |

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the Year Ended 31 July 2009

| | Note | 2009 £000 | 2008 £000 |
|--|-------------|----------------------|----------------------|
| Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax | | 12,265 | 3,266 |
| New endowments | 24 | 370 | 149 |
| Appreciation of endowment asset investments | 24 | (407) | (227) |
| Change to the opening pension liability | 35 | - | (58) |
| Actuarial gain/(loss) in respect of pension scheme | 35 | 1,356 | (14,092) |
| | | <u>13,584</u> | <u>(10,962)</u> |
| Total recognised gains/(losses) relating to the year | | 13,584 | (10,962) |
| Prior year adjustment - Capitalised interest | | - | 493 |
| | | <u>13,584</u> | <u>(10,469)</u> |
| Total recognised gains and losses recognised since the last financial statements | | <u>13,584</u> | <u>(10,469)</u> |

Reconciliation

| | | |
|--|---------------|---------------|
| Opening reserves and endowments - as previously stated | 16,772 | 27,241 |
| Prior year adjustment - capitalised interest | - | 493 |
| | <u>16,772</u> | <u>27,734</u> |
| Opening reserves and endowments - as restated | 16,772 | 27,734 |
| Total recognised gains/(losses) in year | 13,584 | (10,962) |
| | <u>30,356</u> | <u>16,772</u> |
| Closing reserves and endowments | <u>30,356</u> | <u>16,772</u> |

BALANCE SHEETS AS AT 31 JULY 2009

| | Note | Consolidated | | University | |
|---|------|-------------------|-------------------|-------------------|-------------------|
| | | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| Fixed Assets | | | | | |
| Tangible assets | 14 | 192,578 | 177,637 | 197,083 | 171,994 |
| Investments | 15 | 3,543 | 916 | 6,258 | 3,631 |
| Total fixed assets | | 196,121 | 178,553 | 203,341 | 175,625 |
| Endowment Asset Investments | 16 | 2,677 | 2,718 | 2,677 | 2,718 |
| Current Assets | | | | | |
| Stock | | 561 | 572 | 561 | 546 |
| Debtors | 17 | 12,975 | 14,780 | 13,032 | 14,761 |
| Investments | 18 | 58,455 | 50,840 | 58,455 | 50,840 |
| Cash at bank and in hand | | 2,087 | 1,238 | 1,936 | 1,162 |
| | | <u>74,078</u> | <u>67,430</u> | <u>73,984</u> | <u>67,309</u> |
| Creditors : Amounts Falling Due Within One Year | 19 | (33,147) | (36,751) | (37,384) | (36,707) |
| Net Current Assets | | 40,931 | 30,679 | 36,600 | 30,602 |
| Total Assets Less Current Liabilities | | 239,729 | 211,950 | 242,618 | 208,945 |
| Creditors : Amounts Falling Due After More Than One Year | 20 | (104,001) | (89,083) | (104,001) | (89,083) |
| Provision : Swindon Exit Costs | 21 | (467) | (791) | (467) | (791) |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net Assets Excluding Pension Liability | | 135,261 | 122,076 | 138,150 | 119,071 |
| Net Pension Liability | 35 | (28,118) | (27,534) | (28,118) | (27,534) |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net Assets Including Pension Liability | | 107,143 | 94,542 | 110,032 | 91,537 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Deferred Capital Grants | 23 | 76,787 | 77,770 | 76,625 | 77,604 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Endowments | 24 | | | | |
| Expendable | | 215 | 114 | 215 | 114 |
| Permanent | | 2,462 | 2,604 | 2,462 | 2,604 |
| | | <u>2,677</u> | <u>2,718</u> | <u>2,677</u> | <u>2,718</u> |
| Reserves | | | | | |
| Income and expenditure account excluding pension reserve | 26 | 55,797 | 41,588 | 58,848 | 38,749 |
| Pension reserve | 35 | (28,118) | (27,534) | (28,118) | (27,534) |
| Income and expenditure account including pension reserve | | <u>27,679</u> | <u>14,054</u> | <u>30,730</u> | <u>11,215</u> |
| Revaluation Reserve | 25 | - | - | - | - |
| | | <u>27,679</u> | <u>14,054</u> | <u>30,730</u> | <u>11,215</u> |
| Total Funds | | 107,143 | 94,542 | 110,032 | 91,537 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

The Financial Statements on pages 14 to 49 were approved by the Council on 26 November 2009 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 2009

| | Note | 2009 £000 | 2008 £000 |
|--|-------------|----------------------|----------------------|
| Net cash inflow from operating activities | 28 | 12,424 | 13,672 |
| Returns on investments and servicing of finance | 29 | 264 | (1,318) |
| Capital expenditure and financial investment | 30 | (16,875) | (8,809) |
| Acquisitions & disposals | 31 | - | 549 |
| Cash (outflow)/inflow before use of liquid resources and financing | | <u>(4,187)</u> | <u>4,094</u> |
| Management of liquid resources | 32 | (8,277) | (22,704) |
| Financing | 33 | 14,644 | 21,487 |
| Increase in cash in the period | | <u><u>2,180</u></u> | <u><u>2,877</u></u> |

Reconciliation of Net Cash Flow To Movement in Net Debt

| | Note | 2009 £000 | 2008 £000 |
|--|-------------|------------------------|------------------------|
| Increase in cash in the period | | 2,180 | 2,877 |
| Increase in liquid and current investments | 32 | 8,277 | 22,704 |
| Net increase to loans and finance leases | 33 | (14,644) | (21,487) |
| Non-cash changes to net debt | 34 | (129) | (274) |
| (Increase)/Decrease in net debt | | <u>(4,316)</u> | <u>3,820</u> |
| Net debt at 1 August | 34 | (36,521) | (40,341) |
| Net debt at 31 July | 34 | <u><u>(40,837)</u></u> | <u><u>(36,521)</u></u> |

NOTES TO THE ACCOUNTS

1 FUNDING COUNCIL GRANTS

| | Consolidated | |
|--|---------------------|---------------|
| | 2009 | 2008 |
| | £000 | £000 |
| HEFCE grants | | |
| Core grant | 52,693 | 50,144 |
| Specific grants | 4,283 | 3,141 |
| Joint Information Systems Committee | 1,599 | 1,062 |
| TDA grants | 920 | 1,692 |
| HEFCE capital grants | | |
| Deferred capital grants released in year (Note 23) | 2,251 | 1,976 |
| | <u>61,746</u> | <u>58,015</u> |

2 TUITION FEES AND EDUCATION CONTRACTS

| | Consolidated | |
|---|---------------------|---------------|
| | 2009 | 2008 |
| | £000 | £000 |
| Full-time UK higher education students | 19,019 | 16,300 |
| Full-time EU higher education students | 3,187 | 2,772 |
| Full time overseas higher education students | 21,074 | 19,835 |
| Part-time higher education students | 3,868 | 4,083 |
| Short course fees | 1,608 | 1,930 |
| Research training support grants and other fees | 1,406 | 582 |
| | <u>50,162</u> | <u>45,502</u> |

3 RESEARCH GRANTS AND CONTRACTS

| | Consolidated | |
|----------------------|---------------------|---------------|
| | 2009 | 2008 |
| | £000 | £000 |
| Research Councils | 15,905 | 15,494 |
| UK charitable bodies | 3,224 | 3,374 |
| European Commission | 2,237 | 1,452 |
| Other sponsors | 9,011 | 8,299 |
| | <u>30,377</u> | <u>28,619</u> |

Research income includes £1,317,000 (2008: £1,688,000) of income released from deferred capital grants.

NOTES TO THE ACCOUNTS

4 OTHER INCOME

| | Consolidated | |
|--|---------------|---------------|
| | 2009 | 2008 |
| | £000 | £000 |
| Residences, catering and conferences | 16,708 | 13,881 |
| Other services rendered (Note 5) | 7,886 | 7,952 |
| Miscellaneous grants | 923 | 1,757 |
| Rents | 1,130 | 925 |
| Release of deferred capital grants | 674 | 628 |
| Donations | 591 | 374 |
| VAT recovery | 526 | 580 |
| Health and hospital authorities | 489 | 467 |
| Car parking | 410 | 359 |
| University Nursery | 347 | 286 |
| Sundry EC mobility grants | 125 | 688 |
| Income from intellectual property rights | 270 | 196 |
| Disposal of LEAP/SERAP (Data analysis consultancy) | - | 549 |
| Other income | 900 | 977 |
| | <u>30,979</u> | <u>29,619</u> |

5 OTHER SERVICES RENDERED (see Note 4)

| | Consolidated | |
|--|--------------|--------------|
| | 2009 | 2008 |
| | £000 | £000 |
| Academic departments & centres | 2,457 | 2,088 |
| Computing, library & other academic services | 1,192 | 1,307 |
| Sports and related facilities | 3,565 | 3,870 |
| Other | 672 | 687 |
| | <u>7,886</u> | <u>7,952</u> |

6 ENDOWMENT AND INVESTMENT INCOME

| | Consolidated | |
|--|--------------|--------------|
| | 2009 | 2008 |
| | £000 | £000 |
| Income from endowments (Note 24) | 65 | 54 |
| Net income from short-term investments | 476 | 37 |
| Other interest receivable | 1,954 | 2,934 |
| | <u>2,495</u> | <u>3,025</u> |

NOTES TO THE ACCOUNTS

7 STAFF COSTS

| | 2009 | 2008 |
|--|-----------------------|----------------------|
| | £000 | £000 |
| Wages and salaries | 84,752 | 80,152 |
| Social security costs | 6,636 | 6,451 |
| Pension costs (Note 35) | 14,890 | 12,760 |
| | <u>106,278</u> | <u>99,363</u> |
| less: paid on behalf of other organisations | (2,983) | (2,871) |
| less: capitalised within the cost of buildings | (277) | (275) |
| less: Swindon exit costs | - | (43) |
| | <u><u>103,018</u></u> | <u><u>96,174</u></u> |
| Emoluments of the Vice-Chancellor | | |
| Salary and benefits in kind | 269 | 256 |
| Consultancy payments | - | 7 |
| Pension contributions | 58 | 46 |
| | <u>327</u> | <u>309</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 £32,056 remained at the end of the year, an increase of £2,167. The cost to the University of providing the loan is included in the Vice-Chancellor's emoluments.

The Vice-Chancellor has carried out consultancy work on behalf of a third party in addition to her duties within the University. This work resulted in income to the University out of which payments have been made to the Vice-Chancellor which are shown as a component of the Emoluments of the Vice-Chancellor.

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):

| | 2009 | 2008 |
|---------------------|---------------|---------------|
| | Number | Number |
| £100,000 - £109,999 | 14 | 9 |
| £110,000 - £119,999 | 5 | 2 |
| £120,000 - £129,999 | - | 4 |
| £130,000 - £139,999 | 3 | - |
| £140,000 - £149,999 | 3 | 2 |
| £150,000 - £159,999 | 1 | - |
| £160,000 - £169,999 | - | 1 |
| £170,000 - £179,999 | 2 | 2 |
| £180,000 - £189,999 | - | 1 |
| £200,000 - £209,999 | - | 1 |
| £230,000 - £239,999 | 1 | - |

NOTES TO THE ACCOUNTS

7 STAFF COSTS (continued)

| Average staff numbers by major category: | 2009 Number | 2008 Number |
|--|----------------|----------------|
| Academic/clinical | 1,022 | 1,025 |
| Technical | 149 | 148 |
| Administrative, library, computing etc. | 438 | 416 |
| Other, including clerical and manual | 808 | 808 |
| | <u>2,417</u> | <u>2,397</u> |

8 INTEREST AND OTHER FINANCE COST

| | Consolidated | | University | |
|---|--------------|--------------|--------------|--------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| Loans not wholly repayable within five years | 3,016 | 4,226 | 3,016 | 4,226 |
| Finance leases | 19 | 15 | 19 | 15 |
| Other interest charges | 3 | - | 29 | - |
| Net interest on local government pension scheme (Note 35) | 1,278 | 237 | 1,278 | 237 |
| | <u>4,316</u> | <u>4,478</u> | <u>4,342</u> | <u>4,478</u> |

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

| | Staff Costs £000 | Other Operating Expenses £000 | Dep'n £000 | Interest Payable £000 | 2009 Total £000 | 2008 Total £000 |
|------------------------------------|------------------------|--|---------------|-----------------------------|-----------------------|-----------------------|
| Academic departments | 52,465 | 12,974 | 808 | 7 | 66,254 | 62,498 |
| Academic services | | | | | | |
| Bath University Computing Services | 2,996 | 849 | 495 | 11 | 4,352 | 3,928 |
| Library | 2,703 | 2,721 | 35 | - | 5,459 | 4,872 |
| Other academic services | 2,287 | 963 | 16 | - | 3,265 | 2,953 |
| Central administration | 8,630 | 2,678 | - | - | 11,308 | 11,112 |
| General educational expenditure | 1,961 | 7,073 | 6 | - | 9,041 | 9,301 |
| Staff and student facilities | 3,948 | 1,438 | 70 | - | 5,457 | 5,510 |
| Premises | 5,486 | 6,894 | 3,901 | 1,201 | 17,482 | 16,678 |
| Residences and catering operations | 4,947 | 6,135 | 1,132 | 1,720 | 13,933 | 13,421 |
| Research grants and contracts | 13,555 | 7,683 | 1,317 | - | 22,555 | 22,021 |
| Other services rendered | 3,299 | 2,238 | - | 96 | 5,632 | 5,768 |
| Other expenses | 741 | 435 | - | 1,281 | 2,457 | 1,536 |
| | <u>103,018</u> | <u>52,081</u> | <u>7,780</u> | <u>4,316</u> | <u>167,195</u> | <u>159,598</u> |

NOTES TO THE ACCOUNTS

9 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)

The depreciation charge has been funded by :

| | 2009 | 2008 |
|--|--------------|--------------|
| | £000 | £000 |
| Deferred capital grants released (Note 23) | 4,242 | 4,729 |
| Revaluation reserve released (Note 25) | 0 | 20 |
| General Income | 3,538 | 2,948 |
| | <u>7,780</u> | <u>7,697</u> |
| Depreciation (Note 14) | <u>7,780</u> | <u>7,697</u> |

Other Operating Expenses include :

| | 2009 | 2008 |
|---|-------------|-------------|
| | £000 | £000 |
| External Auditors Remuneration (Group and University) | | |
| - Audit Services | 45 | 45 |
| - Consolidated financial statement | 10 | 6 |
| - Grant claims | 1 | 1 |
| - US federal loan | 4 | 4 |
| - Subsidiaries | <u>60</u> | <u>56</u> |
| - Other Services | 12 | - |
| - Tax computation consultancy | | |
| Operating Lease Rentals | | |
| - Land and Buildings | 3,676 | 3,509 |
| - Other | <u>400</u> | <u>346</u> |

10 WRITE-DOWN OF FIXED ASSET INVESTMENTS

| | 2009 | 2008 |
|---|-------------|-------------|
| | £000 | £000 |
| Provision made for diminution in value of fixed asset investments during the year (Note 15) | <u>175</u> | <u>-</u> |

11 EXCEPTIONAL ITEMS

| | Consolidated | | University | |
|---|---------------------|--------------|-------------------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £000 | £000 | £000 | £000 |
| Sale of Sulis Investments (see Note 15) | (3,776) | - | (3,776) | - |
| Write-down of Swindon tangible fixed assets | - | 1,076 | - | 1,076 |
| Swindon exit costs (see Note 21) | - | 791 | - | 791 |
| | <u>(3,776)</u> | <u>1,867</u> | <u>(3,776)</u> | <u>1,867</u> |

NOTES TO THE ACCOUNTS

12 DISPOSAL OF FIXED ASSETS

| | Consolidated | | University | |
|---|--------------|--------------|--------------|--------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| Net surplus/(loss) on disposal of tangible fixed assets | 98 | (45) | 98 | (45) |
| Surplus/(loss) on sale of fixed asset investments | 2 | (4) | 2 | (4) |
| | <u>100</u> | <u>(49)</u> | <u>100</u> | <u>(49)</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 past three 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 | | | | Total £000 |
|-------------------------|---|--|---------------------------|--|-----------------------|
| | Land and Buildings Freehold £000 | Buildings Long Leasehold £000 | Equipment £000 | Assets in Course of Construction £000 | |
| | Valuation/Cost | | | | |
| At 1 August 2008 | | | | | |
| Cost | 5,435 | 181,132 | 45,254 | 23,731 | 255,552 |
| Valuation | - | - | 237 | - | 237 |
| Additions at Cost | - | 28,748 | 2,355 | (8,497) | 22,606 |
| Additions at Valuation | - | - | 119 | - | 119 |
| Disposals at Cost | - | - | (1,428) | - | (1,428) |
| At 31 July 2009 | | | | | |
| Cost | 5,435 | 209,880 | 46,181 | 15,234 | 276,730 |
| Valuation | - | - | 356 | - | 356 |
| Depreciation | | | | | |
| At 1 August 2008 | 147 | 38,813 | 39,192 | - | 78,152 |
| Charge for Year | 81 | 4,542 | 3,157 | - | 7,780 |
| Eliminated on Disposals | - | - | (1,424) | - | (1,424) |
| At 31 July 2009 | 228 | 43,355 | 40,925 | - | 84,508 |
| Net Book Value | | | | | |
| At 31 July 2009 | <u>5,207</u> | <u>166,525</u> | <u>5,612</u> | <u>15,234</u> | <u>192,578</u> |
| At 31 July 2008 | <u>5,288</u> | <u>142,319</u> | <u>6,299</u> | <u>23,731</u> | <u>177,637</u> |

In July 2009, University of Bath Four Limited sold the Westwood residences to the University for £9.9m. This addition to Land and Buildings is reflected in the University's accounts, but is eliminated from the Consolidated Accounts.

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 2008 | | | | | |
| Cost | 5,435 | 172,985 | 45,254 | 23,731 | 247,405 |
| Valuation | - | - | 237 | - | 237 |
| Additions at Cost | - | 38,648 | 2,355 | (8,497) | 32,506 |
| Additions at Valuation | - | - | 119 | - | 119 |
| Disposals at Cost | - | - | (1,428) | - | (1,428) |
| Disposals at Valuation | - | - | - | - | - |
| At 31 July 2009 | | | | | |
| Cost | 5,435 | 211,633 | 46,181 | 15,234 | 278,483 |
| Valuation | - | - | 356 | - | 356 |
| Depreciation | | | | | |
| At 1 August 2008 | 147 | 36,309 | 39,192 | - | 75,648 |
| Charge for Year | 81 | 4,294 | 3,157 | - | 7,532 |
| Eliminated on Disposals | - | - | (1,424) | - | (1,424) |
| At 31 July 2009 | 228 | 40,603 | 40,925 | - | 81,756 |
| Net Book Value | | | | | |
| At 31 July 2009 | 5,207 | 171,030 | 5,612 | 15,234 | 197,083 |
| At 1 August 2008 | 5,288 | 136,676 | 6,299 | 23,731 | 171,994 |

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.

Interest capitalised during the year amounted to £152,000 (2008 : £256,000).

The gross amount of depreciable assets included in land and buildings and assets in the course of construction is £228,442,000 in the Consolidated and £230,195,000 in the University Accounts.

The net book value of tangible fixed assets includes an amount of £301,000 (2008 : £420,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £119,000 (2008 : £108,000).

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

NOTES TO THE ACCOUNTS

15 FIXED ASSET INVESTMENTS

| | Consolidated | | University | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| At 1 August | | | | |
| Investments in subsidiary companies | - | - | 2,715 | 2,715 |
| Other investments : | | | | |
| Other investments | 916 | 916 | 916 | 916 |
| Joint ventures | - | 4 | 0 | 4 |
| | <u>916</u> | <u>920</u> | <u>3,631</u> | <u>3,635</u> |
| Acquisition of investments | 3,677 | - | 3,677 | - |
| Disposal of investments | (875) | (4) | (875) | (4) |
| Write-down of investments | (175) | - | (175) | - |
| At 31 July | | | | |
| Investments in subsidiary companies | - | - | 2,715 | 2,715 |
| Other investments : | | | | |
| Other investments | 3,543 | 916 | 3,543 | 916 |
| Joint ventures | - | - | - | - |
| | <u>3,543</u> | <u>916</u> | <u>6,258</u> | <u>3,631</u> |
| Balance at 31 July | <u>3,543</u> | <u>916</u> | <u>6,258</u> | <u>3,631</u> |

Subsidiary companies

The University owns 100% of the following companies which are registered in England and operate in the UK

| <i>Company Name</i> | <i>Principal Activities</i> | <i>Share holding</i> |
|------------------------------|-----------------------------|----------------------|
| University of Bath One Ltd | Dormant | 100 £1 ordinary |
| University of Bath Two Ltd | Sporting facilities | 100 £1 ordinary |
| University of Bath Three Ltd | Dormant | 100 £1 ordinary |
| University of Bath Four Ltd | Property leasing | 905 £1 ordinary |

The University paid £3,000 per share for 905 shares in University of Bath Four Ltd. All other shares were paid for at par.

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

| | | |
|--|---------|---------------|
| Claverton Down Property Developments Ltd | Dormant | 1 £1 ordinary |
| Claverton Down Construction Ltd | Dormant | 1 £1 ordinary |
| Claverton Down (Bath) Consultants Ltd | Dormant | 1 £1 ordinary |

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

| | | 2009 | 2008 |
|---|------------------------|-------------------|-----------------|
| <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 | £3,502,124 | - |
| Sulis Seedcorn Fund Limited Partnership | investment | - | £875,000 |
| | | <u>£3,542,937</u> | <u>£915,813</u> |

On 2 August 2008 the Sulis Seedcorn Fund Limited Partnership was terminated and the assets and liabilities divided between the partners - the universities of Bath, Bristol and Southampton. The University of Bath received cash, shares in 22 companies (valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines at £3,470,000) and an interest in several pre-incorporation projects. These assets will continue to be operated under the University Challenge Fund rules in the University of Bath's name.

The University's share of surplus on the termination of the Sulis Seedcorn Fund Limited Partnership was :

| | £000 |
|-------------------------------|--------------|
| Disposal of investment | (875) |
| Cash received | 1,161 |
| Shares received | 3,470 |
| Convertible loan | 20 |
| | <u>3,776</u> |
| Surplus on disposal (Note 11) | <u>3,776</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 | 110,196 | 119,207 | 1.62 | A ordinary shares |
| Atlas Genetics Ltd | 46,428 | 778 | 2.98 | Ordinary shares (0.1p) |
| Azellon | 97,252 | 12,967 | 4.67 | A Ordinary shares (£0.001) |
| Glythera | 110,000 | 14,647 | 9.71 | Ordinary shares (£0.001) |
| Ilika Technologies Ltd | 1,416,913 | 5,835 | 3.49 | Ordinary shares (1p) |
| Karus Therapeutics | 170,283 | 1,297 | 4.04 | 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 | 62,546 | 132,908 | 3.15 | Ordinary Shares (£0.001) |
| Nanogan (previously Apex) | 214,540 | 7,780 | 5.98 | Ordinary shares (0.001p) |
| Nanotecture Group Ltd | 147,212 | 291,509 | 1.94 | Ordinary Shares (1p) |
| Perpetuum Ltd | 188,089 | 141,868 | 1.68 | Ordinary shares (£0.0005) |

NOTES TO THE ACCOUNTS

15 FIXED ASSET INVESTMENTS (continued)

Bath Crescent Seedcorn Fund (continued) :-

| Company | Value £ | No. of shares | % Holding | Type of shares |
|---|--------------------|--------------------------|----------------------|---------------------------------------|
| Plexus Planning Ltd | 19,451 | 3,705 | 1.33 | Ordinary Shares (£0.01) |
| Provision Communication Technology Ltd | 0 | 3,692 | 0.73 | A Ordinary shares (1p) |
| Retention People Ltd | 85,337 | 2,016 | 8.53 | 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 | 49,184 | 11,251 | 1.55 | Ordinary shares (0.1p) |
| Symetrica | 159,761 | 8,257 | 3.47 | Ordinary shares (0.1p) |
| Xmos | 111,123 | 131,065 | 1.41 | Series S Ordinary shares (0.0001p) |
| | <u>3,502,124</u> | | | |

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

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 |
| Nanogan Ltd | 26,400 | 0.1p ordinary shares |
| Glythera Ltd | 53,288 | 0.1p ordinary shares |

Joint Ventures

| | | | |
|-----------------------|---------|---|--------------------|
| Sulis Innovations Ltd | Dormant | 2 | £1 ordinary shares |
|-----------------------|---------|---|--------------------|

In August 2008 the principal asset of Sulis Innovations Limited, Sulis Investment Management Limited, was assigned for no consideration to another company, Stadium Ventures Limited, in which the University has no interest. Accordingly Sulis Innovations Limited has ceased to conduct any business.

NOTES TO THE ACCOUNTS

16 ENDOWMENT ASSET INVESTMENTS

| | Consolidated | | University | |
|---|--------------|--------------|--------------|--------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| Balance at 1 August | 2,718 | 2,814 | 2,718 | 2,814 |
| New endowments (Note 24) | 370 | 149 | 370 | 149 |
| Decrease in market value of investments | (407) | (227) | (407) | (227) |
| Income generated less expenditure | (4) | (18) | (4) | (18) |
| | <u>2,677</u> | <u>2,718</u> | <u>2,677</u> | <u>2,718</u> |
| Balance at 31 July | <u>2,677</u> | <u>2,718</u> | <u>2,677</u> | <u>2,718</u> |
| Quoted investments | - | 2,057 | - | 2,057 |
| Cash and other short term investments | 2,677 | 661 | 2,677 | 661 |
| | <u>2,677</u> | <u>2,718</u> | <u>2,677</u> | <u>2,718</u> |
| Total endowment asset investments | <u>2,677</u> | <u>2,718</u> | <u>2,677</u> | <u>2,718</u> |
| Quoted investments at cost | <u>-</u> | <u>1,730</u> | <u>-</u> | <u>1,730</u> |

17 DEBTORS

| | Consolidated | | University | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| Prepayments and accrued income: | 1,651 | 1,333 | 1,651 | 1,333 |
| Sponsored research | 6,855 | 8,039 | 6,855 | 8,039 |
| Amounts owed by group undertakings | - | - | 67 | 384 |
| Other debtors | 4,469 | 5,408 | 4,459 | 5,005 |
| | <u>12,975</u> | <u>14,780</u> | <u>13,032</u> | <u>14,761</u> |
| Due within one year | 12,575 | 14,556 | 12,632 | 14,537 |
| Due in more than one year | 400 | 224 | 400 | 224 |
| | <u>12,975</u> | <u>14,780</u> | <u>13,032</u> | <u>14,761</u> |

NOTES TO THE ACCOUNTS

18 CURRENT ASSET INVESTMENTS

| | Consolidated | | University | |
|--|---------------|---------------|---------------|---------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| Quoted investments | 36 | 1,815 | 36 | 1,815 |
| Hedge funds | - | 2,000 | - | 2,000 |
| Certificates of deposit | 30,750 | 39,616 | 30,750 | 39,616 |
| Fixed deposit | - | 5,000 | - | 5,000 |
| Gilts & Other Fixed Interest investments | 25,945 | - | 25,945 | - |
| Cash held for investment | 1,724 | 2,409 | 1,724 | 2,409 |
| | <u>58,455</u> | <u>50,840</u> | <u>58,455</u> | <u>50,840</u> |
| Quoted investments at market value | <u>307</u> | <u>2,361</u> | <u>307</u> | <u>2,361</u> |
| Hedge funds at market value | <u>-</u> | <u>2,948</u> | <u>-</u> | <u>2,948</u> |
| Gilts & Other Fixed Interest investments at market value | <u>25,991</u> | <u>-</u> | <u>25,991</u> | <u>-</u> |

In the year ending 31 July 2009 the majority of quoted investments were sold. The market value of quoted investments is therefore 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 2009 of £14,000 (2008: £11,000) and Vectura Group plc, which had a market value at 31 July 2009 of £293,000 (2008: £199,000).

19 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Consolidated | | University | |
|--|---------------|---------------|---------------|---------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| Obligations under finance leases | 55 | 177 | 55 | 177 |
| Amounts owed to group undertakings | - | - | 4,097 | 64 |
| Other creditors including taxation and social security | 7,271 | 8,134 | 7,411 | 8,095 |
| Accruals and Deferred income | 25,821 | 28,440 | 25,821 | 28,371 |
| | <u>33,147</u> | <u>36,751</u> | <u>37,384</u> | <u>36,707</u> |

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Consolidated | | University | |
|------------------------------------|----------------|---------------|----------------|---------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| Bank loans (Note 22) | 104,000 | 89,037 | 104,000 | 89,037 |
| Obligations under finance leases | 1 | 46 | 1 | 46 |
| Total due after more than one year | <u>104,001</u> | <u>89,083</u> | <u>104,001</u> | <u>89,083</u> |

NOTES TO THE ACCOUNTS

21 PROVISION - SWINDON EXIT COSTS

| | Consolidated | | University | |
|------------------|--------------|--------------|--------------|--------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| At 1 August | 791 | - | 791 | - |
| Movement in year | (324) | 791 | (324) | 791 |
| At 31 July | <u>467</u> | <u>791</u> | <u>467</u> | <u>791</u> |

22 BORROWINGS

| | Consolidated | | University | |
|---|----------------|---------------|----------------|---------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| <i>Analysis of Financing</i> | | | | |
| Finance leases: analysis of obligations: | | | | |
| In one year or less | 55 | 177 | 55 | 177 |
| Between two and five years | 1 | 46 | 1 | 46 |
| | <u>56</u> | <u>223</u> | <u>56</u> | <u>223</u> |
| Bank loans and overdrafts are repayable as follows: | | | | |
| Between two and five years | 5,200 | 2,620 | 5,200 | 2,620 |
| In five years or more | 98,800 | 86,417 | 98,800 | 86,417 |
| | <u>104,000</u> | <u>89,037</u> | <u>104,000</u> | <u>89,037</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 |
|---------------------------------|-----------------------------|---------------|
| 11.64 | 6.36% | February 2012 |
| 10.00 | 5.66% | June 2027 |
| 20.00 | 5.16% | December 2036 |
| 10.00 | 3.95% | November 2037 |
| <u>51.64</u> | | |

NOTES TO THE ACCOUNTS

23 DEFERRED CAPITAL GRANTS

| | Consolidated | | |
|------------------------------------|-------------------------------------|---|-----------------------|
| | Funding Council £000 | Other Grants & Benefactions £000 | Total £000 |
| | At 1 August 2008 | | |
| Land & Buildings | 49,170 | 25,058 | 74,228 |
| Equipment | 2,134 | 1,408 | 3,542 |
| | <u>51,304</u> | <u>26,466</u> | <u>77,770</u> |
| Grants receivable | | | |
| Land & Buildings | 1,360 | 450 | 1,810 |
| Equipment at Cost | 165 | 1,169 | 1,334 |
| Equipment at Valuation | - | 119 | 119 |
| Disposals | | | |
| Equipment | - | (4) | (4) |
| Released to Income and Expenditure | | | |
| Land & Buildings | (1,522) | (605) | (2,127) |
| Equipment at Cost | (729) | (1,386) | (2,115) |
| At 31 July 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> |
| | | | |
| | University | | |
| | Funding Council £000 | Other Grants & Benefactions £000 | Total £000 |
| At 1 August 2008 | | | |
| Land & Buildings | 49,004 | 25,058 | 74,062 |
| Equipment | 2,134 | 1,408 | 3,542 |
| | <u>51,138</u> | <u>26,466</u> | <u>77,604</u> |
| Grants receivable | | | |
| Land & Buildings | 1,360 | 450 | 1,810 |
| Equipment at Cost | 165 | 1,169 | 1,334 |
| Equipment at Valuation | - | 119 | 119 |
| Disposals | | | |
| Equipment | - | (4) | (4) |
| Released to Income and Expenditure | | | |
| Land & Buildings | (1,517) | (606) | (2,123) |
| Equipment at Cost | (729) | (1,386) | (2,115) |
| At 31 July 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> |

NOTES TO THE ACCOUNTS

24 ENDOWMENTS (Consolidated and University)

| | Restricted Permanent £000 | Restricted Expendable £000 | 2009 Total £000 | 2008 restated £000 |
|---|---------------------------------|----------------------------------|-----------------------|--------------------------|
| At 1 August | | | | |
| Capital | 2,521 | 102 | 2,623 | 2,739 |
| Accumulated Income | 83 | 12 | 95 | 75 |
| | <u>2,604</u> | <u>114</u> | <u>2,718</u> | <u>2,814</u> |
| Reclassification of funds - Capital | (30) | 30 | - | - |
| - Accumulated income | (4) | 4 | - | - |
| New endowments | 276 | 94 | 370 | 149 |
| Investment income | 60 | 5 | 65 | 54 |
| Expenditure - from capital | - | (26) | (26) | (38) |
| Expenditure - from income | (41) | (2) | (43) | (34) |
| Decrease in market value of investments | (403) | (4) | (407) | (227) |
| | <u>2,462</u> | <u>215</u> | <u>2,677</u> | <u>2,718</u> |
| At 31 July | | | | |
| Representing: | | | | |
| 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> |

25 REVALUATION RESERVE

| | Consolidated | | University | |
|---|--------------|--------------|--------------|--------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| At 1 August | - | 20 | - | 20 |
| Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets | - | (20) | - | (20) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| At 31 July | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

NOTES TO THE ACCOUNTS

26 INCOME & EXPENDITURE ACCOUNT RESERVES

| | Consolidated | | University | |
|---|--------------|----------|------------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| | £000 | £000 | £000 | £000 |
| At 1 August | | | | |
| excluding pension reserve | 41,588 | 36,931 | 38,749 | 33,991 |
| pension reserve (Note 35) | (27,534) | (12,031) | (27,534) | (12,031) |
| Surplus for the year | | | | |
| excluding pension reserve | 14,205 | 4,619 | 20,095 | 4,720 |
| relating to the pension reserve (Note 35) | (1,940) | (1,353) | (1,940) | (1,353) |
| Net Surplus for the year | 12,265 | 3,266 | 18,155 | 3,367 |
| Transfer from/(to) accumulated income in endowment funds | 4 | 18 | 4 | 18 |
| Released from Revaluation Reserve | - | 20 | - | 20 |
| Actuarial gain/(loss) on pension scheme (Note 35) | 1,356 | (14,150) | 1,356 | (14,150) |
| At 31 July | | | | |
| excluding pension reserve | 55,797 | 41,588 | 58,848 | 38,749 |
| pension reserve (Note 35) | (28,118) | (27,534) | (28,118) | (27,534) |

In July 2009, University of Bath Four Limited sold the Westwood residences to the University for £9.9m (see Note 14). The profit on sale (£5.9m) has been covenanted by gift aid from the subsidiary to the University and included in the University's surplus, but is eliminated from the Consolidated Accounts.

27 CAPITAL COMMITMENTS AND LEASE OBLIGATIONS

| | Consolidated | | University | |
|---|---------------|--------------|---------------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £000 | £000 | £000 | £000 |
| Capital commitments contracted at 31 July | <u>21,454</u> | <u>7,545</u> | <u>21,454</u> | <u>7,545</u> |
| Funded by :- | | | | |
| University funds | | | 8,046 | |
| Loans | | | 1,971 | |
| HEFCE grants | | | 11,437 | |
| | | | <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 £3,816,000 (2008: £3,652,000).

NOTES TO THE ACCOUNTS

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

| | 2009 | 2008 |
|---|---------------|---------------|
| | £000 | £000 |
| Surplus on continuing operations after exceptional items and tax | 12,265 | 3,266 |
| Pension cost less contributions payable (Note 35) | 662 | 1,116 |
| Depreciation (Note 14) | 7,780 | 9,211 |
| Deferred capital grants released to income (Note 23) | (4,242) | (4,729) |
| Net (surplus)/loss on disposal of tangible fixed assets (Note 12) | (98) | 45 |
| (Loss)/Surplus on sale of fixed asset investments (Note 12) | (2) | 4 |
| Surplus on disposal of Sulis Seedcorn (Note 15) | (2,615) | - |
| Write-down of fixed asset investments (Note 10) | 175 | - |
| Endowment and investment income receivable (Note 6) | (2,495) | (3,025) |
| Interest payable (Note 8) | 4,316 | 4,478 |
| Decrease/(increase) in stocks | 11 | (181) |
| Decrease in debtors on operating activities | 1,430 | 1,734 |
| (Decrease)/increase in creditors on operating activities | (4,763) | 2,302 |
| Sale of activity (LEAP/SERAP) | - | (549) |
| | <u>12,424</u> | <u>13,672</u> |
| Net cash inflow from operating activities | <u>12,424</u> | <u>13,672</u> |

29 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

| | 2009 | 2008 |
|---|-------------|----------------|
| | £000 | £000 |
| Income received from endowments (Note 6) | 65 | 54 |
| Income received from short term investments | 495 | 55 |
| Other interest received | 2,287 | 2,616 |
| Interest paid: | | |
| - Other interest paid | (2,561) | (4,028) |
| - Finance leases (Note 8) | (19) | (15) |
| - Other interest charges (Note 8) | (3) | - |
| | <u>264</u> | <u>(1,318)</u> |

30 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

| | 2009 | 2008 |
|--|-----------------|----------------|
| | £000 | £000 |
| Payments to acquire tangible fixed assets | (21,952) | (28,448) |
| Net purchases of fixed asset investments | (1,348) | - |
| Net sales/(purchases) of endowment asset investments | 1,650 | (76) |
| Receipts from sales of tangible fixed assets | 98 | 23 |
| Receipts from sale of fixed asset investment | 2 | - |
| Receipt from disposal of Sulis Seedcorn (Note 15) | 1,161 | - |
| Deferred capital grants received | 3,144 | 19,543 |
| Endowments received (Note 24) | 370 | 149 |
| | <u>(16,875)</u> | <u>(8,809)</u> |

NOTES TO THE ACCOUNTS

31 ACQUISITIONS AND DISPOSALS

| | 2009 £000 | 2008 £000 |
|--|--------------|--------------|
| Net cash (outflow)/inflow from disposal of an activity | - | 549 |
| | <u>-</u> | <u>549</u> |

32 MANAGEMENT OF LIQUID RESOURCES

| | 2009 £000 | 2008 £000 |
|---|----------------|-----------------|
| Net sales/(purchases) of quoted investments | 1,802 | (55) |
| Net sales/(purchases) of certificates of deposit | 8,866 | (17,649) |
| Net (purchases)/sales of gilts & other fixed interest investments | (25,945) | - |
| Net sales/(purchases) of hedge funds | 2,000 | - |
| Net reduction/(addition) to fixed term deposits | 5,000 | (5,000) |
| Net increase in liquid resources | <u>(8,277)</u> | <u>(22,704)</u> |

33 ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

| | Loans £000 | Finance leases £000 | 2009 Total £000 | 2008 Total £000 |
|--|----------------|---------------------------|-----------------------|-----------------------|
| Balance outstanding at 1 August | 89,037 | 223 | 89,260 | 67,517 |
| New loans/leases | 14,811 | - | 14,811 | 21,698 |
| Capital repayments | - | (167) | (167) | (211) |
| Net change in year | 14,811 | (167) | 14,644 | 21,487 |
| Non-cash movement - interest added to loan | 152 | - | 152 | 256 |
| Balance outstanding at 31 July | <u>104,000</u> | <u>56</u> | <u>104,056</u> | <u>89,260</u> |

34 ANALYSIS OF CHANGES IN NET DEBT

| | At 31 July 2008 £000 | Cash Flows £000 | Other Changes £000 | At 31 July 2009 £000 |
|-------------------------------------|-------------------------------|-----------------------|--------------------------|-------------------------------|
| Cash at bank and in hand: | | | | |
| Held in endowment asset investments | 661 | 2,016 | - | 2,677 |
| Cash held for investment | 2,409 | (685) | - | 1,724 |
| Other cash at bank and in hand | 1,238 | 849 | - | 2,087 |
| | <u>4,308</u> | <u>2,180</u> | <u>-</u> | <u>6,488</u> |
| Other current asset investments | 48,431 | 8,277 | 23 | 56,731 |
| Debt due within one year | (177) | 177 | (55) | (55) |
| Debt due after one year | (89,083) | (14,821) | (97) | (104,001) |
| | <u>(36,521)</u> | <u>(4,187)</u> | <u>(129)</u> | <u>(40,837)</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 130,000 active members and the University has 1,445 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 management committee. 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 actuarial valuation of the scheme was at 31 March 2008. The valuation was carried out using the projected unit method. 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 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. In 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 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 institution 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 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year 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 7.1% per annum based on spot yields, the actuary estimated that the funding level at March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

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 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 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 to take investment risk relative to the liabilities, the trustee receives advice from 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. 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 2009 were:

| at end of year | 31 July 2009 % | 31 July 2008 % |
|------------------------------|------------------------------|------------------------------|
| Rate of inflation | 3.70 | 3.80 |
| Rate of increase in salaries | 4.95 | 5.05 |
| Rate of increase in pensions | 3.70 | 3.80 |
| Discount rate | 6.30 | 5.90 |

Post retirement mortality assumptions

| | | |
|---|--|--|
| 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. |

Life expectancy

| | | |
|---|-------------------|-------------------|
| 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 (24.0) years | 21.1 (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 2009 | Value at 31 July 2009 £000 | Long term rate of return expected at 2008 | Value at 31 July 2008 £000 | Value at 31 July 2007 £000 |
|------------------|---|-------------------------------------|---|-------------------------------------|-------------------------------------|
| Equities | 7.5% | 33,555 | 7.5% | 35,163 | 34,424 |
| Government bonds | 4.5% | 7,395 | 4.8% | 9,916 | 9,239 |
| Other bonds | 5.8% | 4,581 | 5.9% | 2,964 | 3,001 |
| Property | 6.5% | 166 | N/A | - | 5,649 |
| Cash/Liquidity | 0.5% | 3,808 | 5.0% | 2,793 | 530 |
| Other | 7.5% | 5,685 | 7.5% | 6,155 | 6,002 |
| | | 55,190 | | 56,991 | 58,845 |

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

| | 2009 £000 | 2008 £000 | 2007 £000 |
|-------------------------------------|--------------|--------------|--------------|
| Market value of assets | 55,190 | 56,991 | 58,845 |
| Present value of scheme liabilities | (83,308) | (84,525) | (70,876) |
| Net pension liability | (28,118) | (27,534) | (12,031) |

NOTES TO THE ACCOUNTS

35 PENSIONS (continued)

Amounts charged to income and expenditure account

| | 2009 | 2008 |
|--|--------------|--------------|
| | £000 | £000 |
| <i>Included in staff costs for the year (Note 7)</i> | | |
| Current service cost | 3,034 | 2,377 |
| Past service cost | - | 710 |
| Settlements and curtailments | 87 | 42 |
| Total operating charge | <u>3,121</u> | <u>3,129</u> |

Analysis of amount charged to interest payable

| | 2009 | 2008 |
|--|--------------|-------------|
| | £000 | £000 |
| Expected return on pension scheme assets | (3,747) | (3,899) |
| Interest on expected scheme liabilities | 5,025 | 4,136 |
| Net charge | <u>1,278</u> | <u>237</u> |

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

| | 2009 | 2008 |
|--|--------------|-----------------|
| | £000 | £000 |
| Actual return less expected return on pension scheme assets | (6,264) | (6,189) |
| Change in assumptions underlying the present value of the scheme liabilities | 7,620 | (7,086) |
| Experience loss arising on scheme liabilities | - | (817) |
| Actuarial gain/(loss) recognised in the STRGL | <u>1,356</u> | <u>(14,092)</u> |

NOTES TO THE ACCOUNTS

35 PENSIONS (continued)

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

| | 2009 £000 | 2008 £000 |
|--|----------------------------|----------------------------|
| Deficit in scheme at 1 August | 27,534 | 12,031 |
| Change to the opening pension liability | - | 58 |
| Movement in the year: | | |
| Current service cost | 3,034 | 2,377 |
| Contributions by the employer | (2,459) | (2,013) |
| Past service and curtailment (cost)/gain | - | 710 |
| Impact of settlements and curtailments | 87 | 42 |
| Net finance charge on assets and liabilities | 1,278 | 237 |
| Net Movement in the year | 1,940 | 1,353 |
| Actuarial (gain)/loss | (1,356) | 14,092 |
| Deficit in scheme at 31 July | <u>28,118</u> | <u>27,534</u> |

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

| | 2009 £000 | 2008 £000 |
|---|----------------------------|----------------------------|
| At the beginning of the year | 84,525 | 70,876 |
| Current service cost | 3,034 | 2,377 |
| Interest on pension liabilities | 5,025 | 4,136 |
| Member contributions | 1,076 | 1,000 |
| Past service cost | - | 710 |
| Actuarial (gains)/losses on liabilities | (7,620) | 7,903 |
| Curtailments | 87 | 42 |
| Benefits/transfers paid | (2,819) | (2,519) |
| At the end of the year | <u>83,308</u> | <u>84,525</u> |

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

| | 2009 £000 | 2008 £000 |
|---|----------------------------|----------------------------|
| At the beginning of the year | 56,991 | 58,845 |
| Actuarial adjustment to the opening balance | - | (58) |
| Expected return on plan assets | 3,747 | 3,899 |
| Actuarial gains/(losses) on assets | (6,264) | (6,189) |
| Contributions by the employer | 2,459 | 2,013 |
| Contributions by scheme participants | 1,076 | 1,000 |
| Benefits/transfers paid | (2,819) | (2,519) |
| At the end of the year | <u>55,190</u> | <u>56,991</u> |

NOTES TO THE ACCOUNTS

35 PENSIONS (continued)

History of experience gains and losses

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|-------------|-------------|-------------|-------------|-------------|
| Difference between the expected and actual return on scheme assets | | | | | |
| Amount (£000) | (6,264) | (6,189) | 1,714 | 2,447 | 4,717 |
| Percentage of scheme assets | 11.3% | 10.9% | 2.9% | 4.6% | 10.1% |
| Experience gains and (losses) on scheme liabilities | | | | | |
| Amount (£000) | 0 | (817) | 0 | (1,052) | 837 |
| Percentage of present value of scheme liabilities | 0.0% | 1.0% | 0.0% | 1.6% | 1.4% |
| Total amount recognised in Statement of Total Recognised Gains and (Losses) | | | | | |
| Amount (£000) | 1,356 | (14,092) | 1,946 | (960) | (1,786) |
| Percentage of present value of scheme liabilities | 1.6% | 16.7% | 2.7% | 1.5% | 3.0% |

Total pension costs (Note 7)

| | 2009 | 2008 |
|---|---------------|---------------|
| | £000 | £000 |
| Universities Superannuation Scheme: contributions | 11,670 | 9,550 |
| Avon Pension Fund | 3,121 | 3,129 |
| Contributions to other pension schemes | 99 | 81 |
| | <u>14,890</u> | <u>12,760</u> |

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.

37 HARSHIP, ACCESS BURSARY AND ACCESS FUNDS

| | 2009 | 2008 |
|---|-------------|-------------|
| | £000 | £000 |
| Balance at 1 August | 67 | 77 |
| Higher Education Funding Council for England grants | 162 | 198 |
| Interest earned | 3 | 6 |
| | <u>232</u> | <u>281</u> |
| Disbursements | (160) | (214) |
| Balance at 31 July | <u>72</u> | <u>67</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.

38 BURSARIES FROM THE TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS

| | 2009 | 2008 |
|---------------------|-------------|-------------|
| | £000 | £000 |
| Balance at 1 August | 71 | 38 |
| Grant received | 1,093 | 1,267 |
| Disbursements | (1,133) | (1,234) |
| Balance at 31 July | <u>31</u> | <u>71</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.

39 POST BALANCE SHEET EVENTS

In October 2009, the University's holding in Nanogan Ltd (see Note 15) was sold to IQE Ltd, a company quoted on the AIM market. The initial consideration of £114,000 may rise to some £914,000 if certain milestones are met by the company over the coming years.

In July 2009, University of Bath Four Ltd sold the Westwood residences to the University (see Note 14). Following the sale, the Company has no further purpose. In order to ensure that the Company's assets devolve in an orderly fashion to the University (the sole shareholder), the Company will be wound up through a Members Voluntary Liquidation.



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