



THE UNIVERSITY OF HULL

STATEMENT OF ACCOUNTS

2006/07



Nicky Duncumb, Treasurer

Financial Report

Report of the Treasurer

Financial stability is a goal that the higher education sector in general, and the University of Hull in particular, has struggled to achieve in recent years. Therefore, the operating surplus of £5.4m is an achievement for which the Vice Chancellor and all the University staff should be congratulated. It is the result of a great deal of hard work by all concerned.

The need for this level of financial performance is amply demonstrated in the accounts as £12.9m of capital investment has been made in new or refurbished facilities. Evidence of this investment is to be seen from any visit to the University campuses where improvements and developments are constantly under way - most notably the Logistics Institute and student residential accommodation in Hull, and staff & student recreation space in Scarborough.

Investment in new and improved facilities will have to continue at a similar level if the University is to continue to attract students and staff, and be a centre for leading research and reachout work. The only sustainable way to ensure this is through the level of surplus that the University is now generating - certainly not a "surplus to requirements" but rather a "source of funds for investment". This will require strong financial planning and performance and so our financial plans are geared to generating continuing surpluses at the current level.

Results for the year

The University's consolidated operating income, expenditure and result for the year are summarised below:

	2006-07 £m	2005-06 £m	2004-05 £m
Income	127.4	113.8	111.1
Expenditure	122.0	112.7	109.4
Surplus for the year	5.4	1.1	1.7

Income

The University increased its income by £13.6m or 12.0% to £127.4m. The main changes were:

- HEFCE and Training and Development Agency grants, supporting increased activity such as the Hull York Medical School and the Rewarding and Developing Staff initiative - £4.7m increase.
- UK / EU Tuition fees, due to increased student numbers and the first year of the £3,000 fee (increased from £1,225) - £7.0m increase.
- International tuition fees, due to increased student numbers - £0.7m increase.
- Research grants and contracts - £1.1m increase.
- Deferred Capital Grants to cover increased depreciation of assets acquired through capital grants - £0.5m increase.

Expenditure

The University's operating costs increased by £4.2m or 8.3% to £122.0m. Within this, staff costs rose by 6.0% to £75.3m, representing 59.1% of total income. Much of the increased staff costs arise through the nationally negotiated and agreed pay award, and the continuing impact of the national pay review and role analysis.

Other operating expenses have increased by £4.1m or 11.5% to £39.8m. The increases have been carefully controlled in areas that have maximum impact on student experience and staff performance. They represent investment in our infrastructure and activities:

- Academic departmental expenditure - £1.2m increase
- Computing and Academic Services - £0.9m increase
- Bursaries and scholarships, supporting fair access in the new tuition fee regime - £1.2m increase
- Planned maintenance - £0.6m increase
- Grant to University's Students' Union - £0.5m increase
- Research grant and contracts - £0.3m increase

Depreciation increased by £0.9m or 17% to £6.2m, reflecting recent increases in capital expenditure.

Interest payable increased £0.1m or 12% to £0.7m. The increase reflects the increased interest on long term borrowing (now £0.3m, £0.2m increase) less a reduced FRS17 pension finance charge (now zero, £0.2m decrease).

Estates and other projects

The programme of long term maintenance continues and expenditure more than doubled to £1.1m from £0.5m. It is recognised that this is still not sufficient for sustainability, and from 07/08 onwards the University is implementing a £20m, 10 year maintenance plan. This will ensure that the University campuses continue to provide a good and attractive environment for staff and students.

£12.9m has been invested in new and refurbished assets; the most significant being the continuing programme of basic refurbishment of student residential accommodation in Hull, and the development of the University of Hull Logistics Institute, adjacent to the Business School. Work has now started on integrating the east and west parts of the Hull campus. It is likely that additional investment in accommodation will be needed to sustain a competitively attractive offer to students.

Exceptional items

The University sold its former student residence, Cleminson Hall, generating a £5.6m surplus. The proceeds of this sale are a useful contribution to the on going £15m refurbishment programme of the University's student residential accommodation in Hull.

The University experienced severe flood damage when exceptional rainfall came to Hull in June and to Scarborough in July. The cost of remedying this is estimated at £3.25m, of which all but £0.25m will be covered by insurance. This uncovered element represents expenditure the University has chosen to incur either to upgrade facilities or because strict "like for like" replacement is not possible.

Other balance sheet movements

The level of debtors in the consolidated accounts has increased to £13.4m from £8.4m. The major contribution to this is the £3m insurance claim. Also, research and capital grant debtors increased £2.7m, although sales debtors decreased £0.9m reflecting better credit control.

Short term creditors have decreased by £0.9m to £39.7m from £40.6m. The decrease is because the previous year's balance sheet included July salaries whereas this year they had been paid. Against this, creditors and grants received in advance have both increased.

The FRS17 pension liability has fallen from £15m to £12.3m. The liability arises mainly from the University's own Pension and Assurance Scheme, and the reduction reflects the increased funding that the University is making to the scheme. A recovery plan remains on target to eliminate the deficit within nine years.

Cash flow

Overall borrowing has increased to £14.0m from £9.0m, split between £6.5m short term facility and £7.5m long term loan.

Short term investments and cash, taken together, stand at £17.5m, including £1.6m MRI reserve funds (£12.7m at July 2006, including £6.2m MRI reserve funds), indicating a strong cash position at the year end, despite the high levels of investment in the University's building and equipment. The movement in the MRI fund reflects the University's decision to place three-quarters of the fund in an equity tracker investment, to optimise return on the fund.

A summary cash flow statement is as follows:

	2006-07	2005-06
	£m	£m
Opening balance	12.7	4.6
Surplus	10.7	1.1
FRS17 Pension Adjustments (net)	(0.9)	(1.0)
Net Book Value of asset sales	0.3	–
Depreciation less Deferred Capital Grants	2.6	2.2
Capital Expenditure less Capital Grants	(5.3)	(8.6)
(Increase) / decrease in debtors	(4.9)	2.0
(Decrease) / increase in creditors	(0.9)	5.8
Increase in provisions	2.9	0.4
Increase in borrowing	5.0	0.0
Inclusion of MRI reserve funds	–	6.2
Transfer to investments (CAF Equitrack)	(4.7)	–
Closing Balance	17.5	12.7
Of which MRI fund	1.6	6.2

Valediction

The 06/07 financial year closed with the retirement as Treasurer of John Parkes. He served in this role for six years, and as a member of the University's Council for a total of 11 years. His period of office saw a remarkable recovery in the University's fortunes - from a period of entrenched deficits to this year of sustainable surplus. His judicious stewardship and balanced views undoubtedly contributed to this success. The finance department, his successor and the University are grateful to him.

Nicky Duncumb, Treasurer

Keith Stephenson, Finance Director

Corporate Governance Statement

Summary of the University's Structure of Corporate Governance

The following statement is provided to enable readers of the Annual Report and Statement of Accounts of the University to obtain a better understanding of the governance and legal structure of the University.

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee for Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen in its Guide for Members of Higher Education Governing Bodies in the UK. The Council formally adopted the Guide's Governance Code of Practice on 14 July 2005.

The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1954. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes which are approved by the Privy Council.

The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution.

It has a majority of members from outside the University (described as lay members), from whom its Chair must be drawn. Also included in its

members are representatives of the staff of the University and the student body. The lay members receive no fees or payment for the work which they do for the University. The Chair of Council is Mr J Standen.

- **The Senate** is the academic authority of the University and draws its membership from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.

- **The Court** is a large, and formally constituted body. It offers a means whereby the wider interests served by the University can be associated with the institution and provides a public forum where members of Court can raise matters about the University. The Court normally meets once a year to receive the Annual Report and Statement of Accounts of the University.

A majority of the members of Court are from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body.

The principal academic and administrative officer of the University is the Vice-Chancellor, Professor D J Drewry, who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University.

Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Deputy Vice Chancellor, Pro-Vice-Chancellors and the senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

Although the Council meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular during 2006-2007, the Finance Committee (chaired by the Treasurer, Mr J A Parkes), the Human Resources Committee (chaired by Mrs S A Smith), the Estates Committee (chaired by Mr A C Wardle), the Nominations Committee (chaired by Mr J Standen), the Remuneration Committee (chaired by Mr J Standen), the Ethics Committee (chaired by Professor G Brown) and the Audit Committee (chaired by Mrs N J Duncumb). From 1st August 2007 Mrs N J Duncumb became Treasurer of the University; she was replaced on that date as Chair of Audit Committee by Mr S Martin. The decisions of these committees are formally reported to the Council.

These committees are formally constituted as committees of the Council with written terms of reference and specified membership, including a proportion of lay members (from whom the Chair is selected).

The University has also had regard to the Committee of University Chairmen Governance code of practice and its practices are consistent with the provisions of the code.

The University maintains a Register of Interests of Members of the Council and Senior Officers which may be consulted by arrangement with the Quality Director, University Registrar and Secretary.

The Council has adopted a Risk Management Policy and agreed a Risk Register. Risk owners report to the Council and the Audit Committee monitors the risk management process. The Council's practice complies with the guidance from the Higher Education Funding Council for England.

The Quality Director, University Registrar and Secretary acts as Secretary of the Council. Any enquiries about the constitution and governance of the University should be addressed to the Quality Director, University Registrar and Secretary.

Responsibilities of the Council of the University of Hull

In accordance with the University's Charter and Statutes, the Council is responsible for the strategic direction, administration and management of the affairs of the University. It has published a Statement of Primary Responsibilities which is reproduced at the end of this statement. One of its responsibilities is to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council for the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit 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; and
- financial statements are prepared on a going-concern basis unless it is inappropriate to presume that the University will continue in operation.

The Council has taken reasonable steps to:

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

Statement of Internal Control

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the 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 2007 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, the Council has responsibility for overseeing and reviewing the effectiveness of the system of internal control. The following processes exist:

- The plans and strategic direction of the institution are reviewed at regular intervals.
- Council receives regular reports from the Audit Committee concerning internal control, and reviews annually the results of risk identification, evaluation and management. Council also approves annually the institutional risk register.
- The Senior Management Team (SMT) Monitoring Group, chaired by the Vice-Chancellor, takes responsibility for risk identification, evaluation and management.
- An institution-wide risk register, is maintained by the Senior Management Team, revised 'in year' as the result of emergent risks. Risks are monitored monthly by the SMT and reviewed with departments twice per year. The register is reviewed annually on a more formal basis.
- Risk assessment is an integral part of the planning and budgeting processes. Each academic and service area Head is required to compile a risk register, to manage and review regularly the identified risks. Deans and Heads of Departments are briefed annually on risk processes and controls are reviewed twice per year.
- A risk prioritisation methodology is utilised based on the probability and likely impact of the risk materialising.

The Council's review of the effectiveness of the system of internal control is informed by the University's internal auditors who operate to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports, via the Audit Committee, which include an independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

The 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 maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. The University risk management processes are also subject to periodic review by the HEFCE Audit Service and have been adjudged to provide a high level of assurance.

Council - Statement of Primary Responsibilities

The principal responsibilities of the Council of the University of Hull are as follows:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the University. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the Council itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the University.
8. To appoint the Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.

12. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
13. To ensure that appropriate provision is in place for the general welfare of students, in consultation with the Senate.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
15. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Independent Auditors' Report to the Council of the University of Hull

We have audited the Group and University financial statements (the 'financial statements') of the University of Hull for the year ended 31 July 2007 which comprise the consolidated income and expenditure, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of the University's Council and Auditors

The University's Council responsibilities for preparing the Treasurer's Report and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2003, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 6.

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, the Training and Development Agency for Schools and the Learning and Skills Council. We also report to you whether in our opinion the Treasurer's Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of Opinion

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

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

Opinion

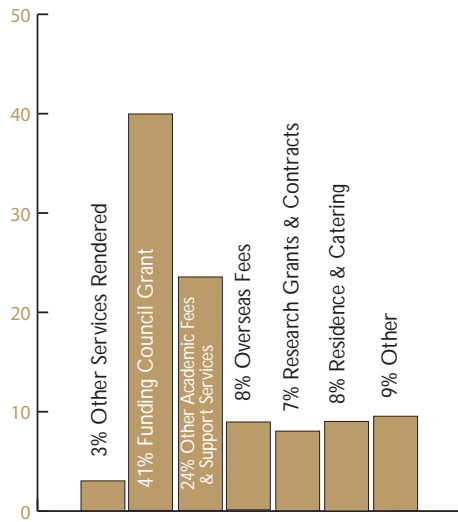
In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2007 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2007 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2007 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, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

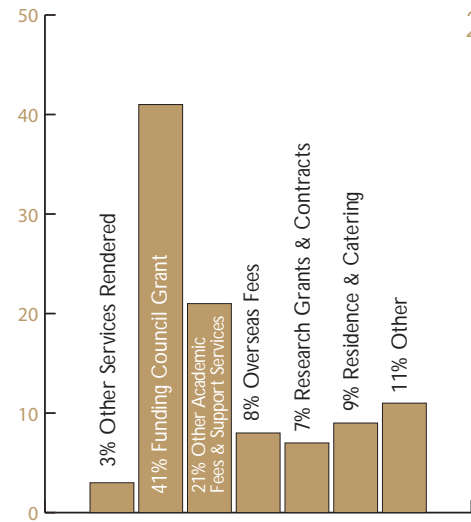
KPMG LLP
Chartered Accountants
Registered Auditor

Illustration of income and expenditure

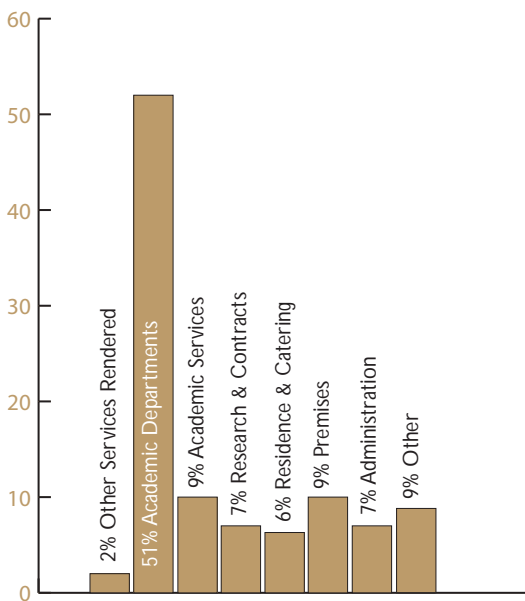
Income
2006–7



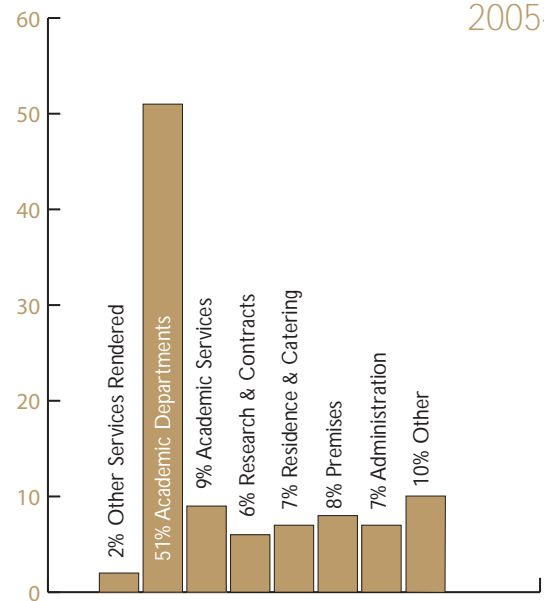
Income
2005–6



Expenditure
2006–7



Expenditure
2005–6



Statement of Principal Accounting Policies

1. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments and certain Land and Buildings, and in accordance with both the Statement of Recommended Practice 2003: Accounting for Further and Higher Education Institutions (SORP) and applicable Accounting Standards.

2. Basis of consolidation

The University has set up a number of companies for commercial purposes. The details are included in Note 11 to the financial statements.

A small number of companies in which the University has a minority shareholding are accounted for as fixed asset investments as disclosed in Note 11.

The consolidated financial statements include the University of Hull and its subsidiary undertakings referred to as 'The Group'. The results of subsidiaries acquired during the period are included in the consolidated profit and loss account from the date of their acquisition. Intragroup sales and profits are eliminated fully on consolidation.

The financial statements do not include those of the University of Hull Students' Union as the University does not have a dominant influence over its policy decision.

3. Provisions for liabilities and charges

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.

4. Recognition of income

Income from Specific Endowments and Donations, Research Grants, Contracts and Other Services Rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and General Endowment Asset Investments is credited to the Income and Expenditure Account on a receivable basis.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

5. Pensions

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme for academic and academic-related staff and the University of Hull Pension and Assurance Scheme for other staff. The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. Pension costs are assessed in accordance with the advice of the actuaries to each scheme, based on the latest actuarial valuations of the schemes. A small number of staff remain in other pension schemes.

The University has fully adopted accounting standard FRS17 'Retirement Benefits' during the year, principally for its own University of Hull Pension and Assurance Scheme. The impact of this standard has been reflected throughout the financial statements.

The difference between the fair value of the assets held in the University's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the University's balance sheet as a pension scheme asset or liability as appropriate.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the University are charged to the income & expenditure account or the statement of total recognised gains and losses in accordance with FRS17 'Retirement Benefits'.

For the Universities Superannuation Scheme pension costs are brought to account on the basis of charging the costs of providing pensions over the period during which the University benefits from the employees' services.

6. 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 at year-end rates and the resulting exchange differences are included in the determination of the surplus or deficit for the year.

7. Leases

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

Finance leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the life of the lease.

8. Land and buildings

Land and Buildings are stated at cost or valuation. Land is not depreciated as it is considered to have an indefinite useful life. New buildings are depreciated over their expected useful lives of 50 years or the length of lease for leasehold properties. All capital expenditure (recent and historic) classed as building refurbishment is depreciated over 25 years. No depreciation is charged in the year of acquisition on either category.

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.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

9. Equipment

Equipment costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

General equipment	5 years
Motor Vehicles	4 years
Equipment acquired for specific research projects	project life by financial year

No depreciation is charged in the year of acquisition.

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 by financial year in respect of specific research projects).

10. Maintenance of premises

The cost of routine maintenance is charged to the Income and Expenditure account in the period that it is incurred.

11. Endowment Asset Investments

Endowment asset investments are included in the Balance Sheet at market value. Current Asset Investments are included at the lower of cost or market value.

12. Stocks

Stocks are valued at the lower of cost or net realisable value. Stocks held in teaching and service departments are excluded.

13. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock but exclude any such assets held as Endowment Asset Investments. Current Asset Investments represent liquid resources held wholly as term deposits.

14. 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.

Consolidated income and expenditure account

for the year ended 31 July 2007

	Note	2007 £000	2006 £000
INCOME			
Funding Council Grants	1	51,147	46,150
Tuition Fees and Education Contracts	2	41,200	33,512
Research Grants and Contracts	3	9,296	8,235
Other Income	4	24,768	25,093
Endowment and Investment Income	5	961	764
TOTAL INCOME		127,372	113,754
EXPENDITURE			
Staff Costs	6	75,308	71,060
Other Operating Expenses	7	39,759	35,664
Depreciation	10	6,237	5,327
Interest Payable	8	667	593
TOTAL EXPENDITURE	9	121,971	112,644
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax and exceptional items		5,401	1,110
Net loss relating to flood damage	16	(250)	0
Surplus on Disposal of Tangible Fixed Assets		5,604	0
Taxation		0	0
Transfer (to) accumulated income within specific endowments		(84)	(28)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets, tax and exceptional items and transfers in respect of specific endowments	20	10,671	1,082
The income and expenditure account is in respect of continuing activities			

Balance sheets as at 31 July 2007

		Consolidated		University	
		2007	2006	2007	2006
	Note	£000	£000	£000	£000
FIXED ASSETS					
Tangible Assets	10	87,370	80,983	87,370	80,983
Investments	11	4,796	3	6,478	1,685
		92,166	80,986	93,848	82,668
ENDOWMENT ASSETS	12	11,037	10,758	11,037	10,758
CURRENT ASSETS					
Stocks		65	71	65	71
Debtors	13	13,366	8,435	15,258	10,506
Investments		17,312	11,492	16,285	11,492
Cash at Bank and in Hand		196	1,177	167	303
		30,939	21,175	31,775	22,372
CREDITORS: AMOUNTS FALLING					
DUE WITHIN ONE YEAR	14	(39,714)	(40,572)	(39,808)	(40,640)
NET CURRENT LIABILITIES		(8,775)	(19,397)	(8,033)	(18,268)
TOTAL ASSETS LESS CURRENT LIABILITIES		94,428	72,347	96,852	75,158
CREDITORS: AMOUNTS FALLING					
DUE AFTER MORE THAN ONE YEAR	15	(7,500)	(2,500)	(9,318)	(4,494)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(3,846)	(953)	(3,846)	(953)
NET ASSETS EXCLUDING PENSION (LIABILITY)		83,082	68,894	83,688	69,711
PENSION (LIABILITY)	29	(12,278)	(15,031)	(12,278)	(15,031)
NET ASSETS INCLUDING PENSION (LIABILITY)		70,804	53,863	71,410	54,680
DEFERRED CAPITAL GRANTS					
	17	43,109	39,092	43,109	39,092
ENDOWMENTS					
Specific	18	4,345	4,153	4,345	4,153
General	18	6,692	6,605	6,692	6,605
		11,037	10,758	11,037	10,758
RESERVES					
MRI Reserve	21	6,349	6,225	6,349	6,225
Revaluation Reserve	19	2,610	2,657	2,610	2,657
		8,959	8,882	8,959	8,882
General reserve excluding pension (liability)	20	19,977	10,162	20,583	10,979
Pension Reserve	29	(12,278)	(15,031)	(12,278)	(15,031)
General reserve including pension (liability)	20	7,699	(4,869)	8,305	(4,052)
TOTAL		70,804	53,863	71,410	54,680

The financial statements on pages 16 to 44 were approved by the Council on 28 November 2007, and signed on its behalf by:
MR J STANDEN (Chairman of Council) • MRS N J DUNCUMB (Treasurer) • PROFESSOR D J DREWRY (Vice-Chancellor)

Consolidated cash flow statement

for the year ended 31 July 2007

	Note	2007 £000	2006 £000
CASH FLOW FROM OPERATING ACTIVITIES	23	3,701	10,216
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	24	257	337
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25	(4,119)	(2,442)
MANAGEMENT OF LIQUID RESOURCES	26	(5,820)	(8,208)
FINANCING	27	5,000	0
(DECREASE) IN CASH IN THE YEAR		(981)	(97)

Reconciliation of net cash flow to movement in net funds/(debt)

	2007 £000	2006 £000
(Decrease) in cash in the year	(981)	(97)
Cash inflow from liquid resources	5,820	8,208
Change in net debt resulting from cash flows	4,839	8,111
(Increase in Debt)	(5000)	0
MOVEMENT IN NET FUNDS IN THE PERIOD	(161)	8,111
Net Funds/(Debt) at 1 August	3,669	(4,442)
NET FUNDS AT 31 JULY	3,508	3,669

Statement of consolidated total recognised gains and losses for the year ended 31 July 2007

		2007	2006
	Note	£000	£000
Surplus on continuing operations after Depreciation of Assets at Valuation and Disposal of Tangible Fixed Assets		10,671	1,082
Appreciation/(Depreciation) of Endowment Asset Investments	18	83	(23)
Endowment Income Retained for Year	18	84	28
New Endowments	18	112	43
FRS17 actuarial gain recognised in pension schemes	29	1850	987
Net Movement on Specific MRI reserve	21	124	0
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		12,924	2,117
Reconciliation			
Opening Reserves and Endowments		14,771	
Total recognised gains for the year		12,924	
Closing Reserves and Endowments		27,695	

Consolidated statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2007

Surplus on continuing operations before taxation		10,671	1,082
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	19	47	47
Historical Cost Surplus for the year before and after taxation		10,718	1,129

Notes to the accounts

	2007	2006
	£000	£000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant	41,351	37,726
Specific Grants		
TDA	2,775	2,629
JISC	221	226
Other	4,070	3,093
Deferred Capital Grants Released in Year (note 17)	2,730	2,476
	<u>51,147</u>	<u>46,150</u>
Funding Council Grants represent grants from the Higher Education Funding Council for England and the Training and Development Agency for Schools		
2. TUITION FEES AND EDUCATION CONTRACTS		
Full-time Students	26,551	20,411
Full-time Students Charged Overseas Fees	10,027	9,293
Part-time Students	2,547	2,042
Research Training Support Grants	680	686
Short Course Fees	1,395	1,080
	<u>41,200</u>	<u>33,512</u>
3. RESEARCH GRANTS AND CONTRACTS		
Research Councils	2,060	1,839
UK Charities	1,517	1,518
UK Central Government	651	902
Local Authorities	417	312
Health & Hospitals	829	619
UK Industry	1,304	1,439
EU	2,005	1,122
Overseas	513	484
	<u>9,296</u>	<u>8,235</u>

Notes to the accounts

	2007	2006
	£000	£000
4. OTHER INCOME		
Residences, Catering and Conferences	10,473	9,831
Other Services Rendered	3,456	3,944
Health Authorities	4,558	4,839
Other Donations	312	350
Released from Deferred Capital Grants	787	563
Rents Receivable and Facilities Income	771	742
ERASMUS Grants	463	393
Other Revenue Grant and Departmental Income	1,888	2,118
Other Income	2,060	2,313
	<u>24,768</u>	<u>25,093</u>
5. ENDOWMENT AND INVESTMENT INCOME		
Transferred from Specific Endowments (note 18)	236	176
Income from General Endowment Asset Investments (note 18)	357	310
Income from Short Term Investments	330	278
FRS17 Pension finance income	37	0
Loan Interest receivable	1	0
	<u>961</u>	<u>764</u>
6. STAFF		
Staff Costs:		
Wages and Salaries	62,288	59,241
Social Security Costs	5,252	4,913
Other Pension Costs	7,768	6,906
	<u>75,308</u>	<u>71,060</u>
Emoluments of the Vice-Chancellor	170	160
	<u>170</u>	<u>160</u>

The emoluments of the Vice-Chancellor excludes the University's pension contributions to USS on his behalf which amounted to £23,487 (2006: £17,437). Other contributions additionally paid in the year were £nil (2006: £11,280).

Total emoluments therefore comprised £193,487 (2006: £189,217).

Notes to the accounts

6. STAFF (*continued*)

Average Staff Numbers by Major Category

	2007	2006
	Number	Number
Academic/Clinical	1,135	1,123
Technical	117	123
Administrative	411	416
Other	295	316
	<u>1,958</u>	<u>1,978</u>

Remuneration of Higher Paid Staff (*excluding employers pension contributions*). Staff to whom payments are made on behalf of the NHS, in respect of contracted clinical responsibilities, are shown in the column headed *.

	No. of Staff		No. of Staff	
	*		*	
£190,000 - £199,999	0	0	0	0
£180,000 - £189,999	1	0	1	0
£170,000 - £179,999	1	0	1	0
£160,000 - £169,999	1	0	1	1
£150,000 - £159,999	2	0	1	0
£140,000 - £149,999	2	0	2	0
£130,000 - £139,999	4	1	2	2
£120,000 - £129,999	2	0	2	0
£110,000 - £119,999	2	2	4	2
£100,000 - £109,999	3	0	3	0
£90,000 - £99,999	3	4	3	1
£80,000 - £89,999	0	1	1	2
£70,000 - £79,999	1	7	0	4

Notes to the accounts

	2007	2006
7. OTHER OPERATING EXPENSES	£000	£000
Residences, Catering and Conferences	4,270	4,134
Academic Departmental Expenditure	12,690	11,510
Books, Periodicals and related Media	1,288	1,209
Other Library and Computing and Academic Services	3,395	2,484
General Educational Expenditure	1,918	1,851
Administration	2,271	2,603
Fellowships, Scholarships and Prizes	1,992	779
Heat, Light, Water and Power	1,479	1,496
Repairs and General Maintenance	860	604
Planned Maintenance	1,085	490
Rent, Rates and Insurance	546	720
Grants to University's Students' Union	1,293	831
Research Grants and Contracts	3,346	3,077
Services Rendered	1,224	1,374
Auditors' Remuneration	41	55
Auditors' Remuneration re Non-Audit Services	0	0
Bad and Doubtful Debts	574	881
Other Expenses	1,487	1,566
	<u>39,759</u>	<u>35,664</u>

Notes to the accounts

	2007	2006
	£000	£000
8. INTEREST PAYABLE		
Bank and other Loans repayable within 1 year	353	358
Bank and other Loans wholly or partly repayable in more than 5 years	314	69
FRS17 pension finance charge	0	166
	<u>667</u>	<u>593</u>

9. ANALYSIS OF 2006 - 2007 EXPENDITURE BY ACTIVITY

	Staff Costs	Depreciation	Other Operating Expenditure	Interest Payable	Total
Academic Departments	47,154	1,810	12,690	0	61,654
Academic Services	6,411	587	4,683	0	11,681
Research Grants and Contracts	4,509	120	3,346	0	7,975
Residences, Catering and Conferences	2,233	551	4,270	667	7,054
Premises	4,371	2,467	4,348	0	11,853
Administration	5,766	31	2,271	0	8,068
Services Rendered	1,166	0	1,224	0	2,390
Other Expenses	3,698	671	6,927	0	11,296
	<u>75,308</u>	<u>6,237</u>	<u>39,759</u>	<u>667</u>	<u>121,971</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (<i>note 17</i>)	3,637
Revaluation Reserve Released (<i>note 19</i>)	47
General Income	2,553
	<u>6,237</u>

Notes to the accounts

Consolidated and University				
10. TANGIBLE ASSETS	Land & Buildings		Equipment	Total
	Freehold	Leasehold		
	£000	£000	£000	£000
Cost/Valuation:				
At 1 August 2006				
Cost/Valuation	85,475	865	34,172	120,512
Additions at Cost	11,077	0	1,848	12,925
Disposals	(441)		(5,966)	(6,407)
At 31 July 2007	96,111	865	30,054	127,030
Depreciation:				
At 1 August 2006	14,722	430	24,377	39,529
Charge for the year	2,405	43	3,789	6,237
Eliminated on Disposal	(140)		(5,966)	(6,106)
At 31 July 2007	16,987	473	22,200	39,660
Net Book Value				
At 31 July 2007	79,124	392	7,854	87,370
Net Book Value				
At 1 August 2006	70,753	435	9,795	80,983

Certain buildings were revalued at market value during the year ended 31 July 1998 by E.C. Harris, Chartered Surveyors and Messrs G.J.A. Grimley, Chartered Surveyors. The historical cost of these items is £4,031,000. Following the implementation of FRS15 'Tangible Fixed Assets', the tangible assets previously revalued have been retained at their book amounts as permitted by the transitional provisions of FRS15, and the valuation has not been updated.

Buildings with a net book value of £28,350,419 (2006: £27,051,254) have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England. Land and Buildings and Equipment at 31 July 2007 include £234,592 (2006: £145,280) of assets in the course of construction which are not depreciated until completed.

Disposals shown on equipment relate to assets written out.

Notes to the accounts

Consolidated		University	
2007	2006	2007	2006
£000	£000	£000	£000

11. FIXED ASSET INVESTMENTS

4,796	3	6,478	1,685
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£1,685,000 of University investments relate solely to interests in subsidiary undertakings and other companies in which the University has an interest, as follows:

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held %	Nature of business
Hull Unico Limited	England & Wales	Ordinary	100	Dormant
Nursco Limited	England & Wales	Ordinary	100	Nursing training
Unico Learning Resources Limited	England & Wales	Ordinary	100	Learning resource
Guildtech Limited	England & Wales	Ordinary	100	Lease of Buildings
Wide Vista Limited	England & Wales	Ordinary	100	Lease of Buildings
Pollerwin Limited	England & Wales	Ordinary	100	Lease of Buildings
Knowledge Base (UK) Limited	England & Wales	Ordinary	25	Education & Training
IT Interface Limited	England & Wales	Ordinary	26	IT Training
Micro Chemical Systems Limited	England & Wales	Ordinary	12.5	Reactor Development
Kingston Chemicals Limited	England & Wales	Ordinary	18	Liquid Crystals
TLM Technology Limited	England & Wales	Ordinary	18	Predictive Software
CHeMTriX Limited	England & Wales	Ordinary	50	Micro reactor systems

All of the above companies operated entirely in their country of incorporation except for CHeMTriX Ltd.

£3,000 of the Group investments relate to the holdings in Knowledge Base (UK), IT Interface, Micro Chemical Systems and Kingston Chemicals.

With the exception of Kingston Chemicals Ltd, these companies are associated companies by virtue of the University's shareholding or influence. However they have not been accounted for as associated companies as they are not material to the assets or results of the University. The balance of the University and Group investments of £4,793,000 relate to equity portfolio investments partly representing the specific MRI reserve (see note 21) as follows:

Consolidated and University

	£000
At 1 August 2006	0
Additions	4,671
Appreciation on revaluation	122
At 31 July 2007	4793

Notes to the accounts

	Consolidated and University	
	2007	2006
	£000	£000
12. ENDOWMENT ASSET INVESTMENTS		
At 1 August	10,758	16,935
Additions	7,462	14,175
(Decrease) in cash balances	(3,131)	(6,252)
Disposals	(4,135)	(14,077)
Appreciation/(Depreciation) on Revaluation	83	(23)
At 31 July	11,037	10,758
Fixed Interest Stocks	0	3,017
Equities	6,391	0
Bank Balances	4,646	7,741
	11,037	10,758
Equities and Fixed Interest Stocks at Cost	6,228	2,984

	Consolidated		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
13. DEBTORS				
Debtors	8,826	7,311	8,826	7,311
Insurance income receivable-flood damage (note 16)	3,000	0	3,000	0
Amounts owed by subsidiary undertakings	0	0	1,892	2,071
Prepayments and Accrued Income	1,502	1,124	1,502	1,124
CHeMTriX loan	38	0	38	0
	13,366	8,435	15,258	10,506

Amounts fall due within one year except for £1,507,000 (2006: £1,700,000) of the element owed by subsidiaries and the loan to CHeMTriX (see Note 11). The terms of the loan allow for draw down of up to approx £84,000 (125,000 euros) with interest rate fixed at 6%. Repayment of outstanding loan balance is to be made in quarterly instalments from 1 January 2008.

Notes to the accounts

	Consolidated		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Grants and Donations Received in Advance	13,310	12,842	13,310	12,842
Credit Facility	6,500	6,500	6,500	6,500
Creditors	9,819	8,292	9,819	8,292
Amounts owed to subsidiary undertakings	0	0	94	68
Social Security and other Taxation Payable	2,616	5,376	2,616	5,376
Accruals and Deferred Income	7,469	7,562	7,469	7,562
	39,714	40,572	39,808	40,640

The credit facility bears interest at 0.25% above LIBOR and is repayable on demand.

	Consolidated		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Unsecured Loan Repayable 2009 to 2035	7,500	2,500	0	2,500
Amounts owed to subsidiary undertakings	0	0	0	1,994
	7,500	2,500	0	4,494

Consolidated and University

The unsecured loan has several elements as follows:	£000
Fixed interest rate of 4.94% repayable 2009 to 2034	2,500
Fixed interest rate of 5.30% repayable 2010 to 2035	2,500
Fixed interest rate of 5.38% repayable 2010 to 2035	2,500
	7,500

Consolidated

The Credit Facility (£6,500,000 see Note 14) and unsecured loan (£7,500,000) are repayable as follows:

	2007	2006
Less than one year	6,500	6,500
Between one and two years	50	0
Between two and five years	875	250
In five years or more	6,575	2,250
	14,000	9,000

Notes to the accounts

	Consolidated and University			
	Pension	Restructuring	Flood Damage	Total
	£000	£000	£000	£000
16. PROVISION FOR LIABILITIES AND CHARGES				
At 1 August 2006	650	303	0	953
Expenditure in Year	(52)	(386)	0	(438)
Additions from Income & Expenditure Account	50	118	3,163	3,331
At 31 July 2007	648	35	3,163	3,846

The restructuring provision relates to a continuing early retirement and severance scheme announced in 2002/03. The balance of £35,000 relates to staff accepted under the scheme and due to leave over the next year. The pension enhancement provision of £648,000 partly represents the present value of future pension enhancements in respect of former University College Scarborough employees who have taken early retirement (£515,000); plus an amount of £133,000 for former University of Hull employees where the pension is paid directly by the University.

Flood Damage

On 25 June 2007 the University, along with many properties in the Hull area, suffered significant damage from flooding caused by persistent torrential rainfall. The University carries insurance cover for its buildings, contents and equipment and the event led to an exceptional net accounting loss and need for provision as follows based on management's best estimate of expected cost and insurance income receivable.

	Consolidated and University
	£000
Insurance income receivable	3,000
Flood damage costs incurred in year	(87)
Flood damage costs pending and provided	(3,163)
Net loss relating to flood damage	(250)

	Consolidated and University		
	Funding Council	Other Grants & Benefactors	Total
	£000	£000	£000
17. DEFERRED CAPITAL GRANTS			
At 1 August 2006			
Buildings	27,051	5,587	32,638
Equipment	4,659	1,795	6,454
	31,710	7,382	39,092
Received in Year			
Buildings	2,204	4,726	6,930
Equipment	509	215	724
	2,713	4,941	7,654
Released in year			
Buildings	(905)	(237)	(1,142)
Equipment	(1,825)	(670)	(2,495)
	(2,730)	(907)	(3,637)
At 31 July 2006			
Buildings	28,350	10,076	38,426
Equipment	3,343	1,340	4,683
	31,693	11,416	43,109

Notes to the accounts

	Consolidated and University		
	Specific £000	General £000	Total £000
18. ENDOWMENTS			
At 1 August 2006	4,153	6,605	10,758
Additions	111	1	112
(Depreciation)/Appreciation of Endowment Asset Investments	(3)	86	83
Income for Year	236	357	593
Released to Income and Expenditure Account (note 5)	(236)	(357)	(593)
Transferred from Income and Expenditure Account (see below)	84	0	84
At 31 July 2007	4,345	6,692	11,037
Representing:			
Fellowships and Scholarships Funds	1,920	0	1,920
Prizes Funds	383	0	383
Chairs and Lectureships Funds	1,576	0	1,576
Other Funds	466	6,692	7,158
	4,345	6,692	11,037

The HE Statement of Recommended Practice (SORP) 2003 now requires income from specific endowments to be credited to the income and expenditure account on a receivable basis as before by matching to spend, but achieved by a new separate transfer entry in respect of the same. This means that any income in the year from specific endowments earned in excess of that applied to the specific purpose is transferred from the income and expenditure account to accumulated endowment income in the balance sheet by transfer *after* striking an initial result for the year. Similarly any expenditure for the specific purpose applied in excess of income generated in the year is matched by transfer from accumulated endowment income again *after* striking an initial result for the year. The resultant new transfer entry is shown on the face of the income and expenditure account.

	Consolidated	University
	£000	£000
19. REVALUATION RESERVE		
At 1 August 2006	2,657	2,657
Released in Year (note 9)	(47)	(47)
At 31 July 2007	2,610	2,610

Notes to the accounts

	Consolidated	University
	£000	£000
20. GENERAL RESERVE		
At 1 August 2006	(4,869)	(4,052)
Surplus for the year after Depreciation of Assets at Valuation	10,671	10,460
Release from Revaluation Reserve	47	47
FRS 17 actuarial gain on pension scheme	1,850	1,850
At 31 July 2007	<u>7,699</u>	<u>8,305</u>
The general reserve is subdivided as follows at 31 July 2007:		
Excluding pension reserve	19,977	20,583
Pension reserve	(12,278)	(12,278)
Total	<u>7,699</u>	<u>8,305</u>

Consolidated and University

	£000	£000
21.MRI RESERVE		
At 1 August 2006	6,225	6,225
Additions	2	2
Appreciation from element invested on revaluation	122	122
At 31 July 2007	<u>6,349</u>	<u>6,349</u>

In March 2007 the equivalent endowment asset investment was split between equity investments (£4,669,000) and current asset investments (£1,556,000) instead of being represented totally by current asset investments. Income generated by the reserve's assets is reported as research income in line with its original funder's requirements (Yorkshire Cancer Research). At 31 July 2007 the reserve was represented by portfolio equity investments of £4,793,000 and current asset investments of £1,556,000.

Consolidated and University

	2007	2006
	£000	£000
22. CAPITAL COMMITMENTS		
Committments Contracted for at 31 July	<u>6,075</u>	<u>2,500</u>

Notes to the accounts

	2007	2006
	£000	£000
23. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Surplus	10,671	1,082
Depreciation (note 10)	6,237	5,327
Profit on Disposal of Tangible Fixed Assets	(5,604)	0
Deferred Capital Grants Released to Income (note 17)	(3,637)	(3,169)
Investment Income (notes 5,18)	(877)	(736)
Interest Payable (note 8)	667	593
Decrease/(Increase) in Stocks	6	(3)
(Increase)/Decrease in Debtors	(4,931)	1,997
(Decrease)/Increase in Creditors	(858)	5,868
Increase in Provisions	2,893	397
Difference between pension charge and cash contributions	(866)	(1,140)
Net Cash Inflow from Operating Activities	3,701	10,216
24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from endowments (note 18)	593	486
Income from short term investments (note 5)	330	278
Interest paid (note 8)	(667)	(427)
Interest receivable (note 5)	1	0
Net cash inflow from returns on investments and servicing of finance	257	337
25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Tangible fixed assets and investments acquired (note 10)	(17,594)	(15,434)
Sales of Tangible Fixed Assets	5,905	0
Endowment asset investments acquired (note 12)	(4,331)	(7,923)
Sales of endowment asset investments (note 12)	4,135	14,077
Deferred Capital Grants Received (note 17)	7,654	6,795
Endowments Received (note 18)	112	43
Net cash (outflow) from capital expenditure and financial investment	(4,119)	(2,442)

Notes to the accounts

	2007	2006
	£000	£000
26. MANAGEMENT OF LIQUID RESOURCES		
(Increase) in short term deposits	(5,820)	(8,208)
(Outflow) from management of liquid resources	(5,820)	(8,208)

			2007	2006
			£000	£000
27. FINANCING	Credit Facility	Loans	Total	Total
Balance at 1 August	6,500	2,500	9,000	9,000
Capital Repayments	0	0	0	(2,500)
New Loan		5,000	5,000	2,500
Balance at 31 July	6,500	7,500	14,000	9,000

	At 1 August 2006	Cash Flow	Other Changes	At 31 July 2007
	£000	£000	£000	£000
28. ANALYSIS OF CHANGES IN NET DEBT				
Cash at Bank and in Hand	1,177	(981)	0	196
Liquid Resources:				
Short term deposits	11,492	5,820	0	17,312
	12,669	4,839	0	17,508
Debt Due within one year	(6,500)	0	0	(6,500)
Debt Due after one year	(2,500)	(5,000)	0	(7,500)
	(9,000)	(5,000)	0	(14,000)
	3,669	(161)	0	3,508

Notes to the accounts

29. PENSION SCHEMES

(a) Universities Superannuation Scheme ('USS')

The University participates in the USS, a defined benefit scheme which is externally funded and contracted-out of the State Earnings Related Pension Scheme. The assets of the scheme are held in a separate trustee administered fund.

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

At the valuation date, the market value of the assets of the scheme was £21.7bn and the value of the past service liabilities was £28.3bn leaving a deficit of £6.6bn. The assets were therefore sufficient to cover only 77% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of salaries but it was agreed that the institution contribution rate would be maintained at 14% of salaries.

The total pension contributions paid by the University to the USS during the year amounted to £5,438,939 (2006: £5,004,854). The contribution rate payable by the University was 14% of pensionable salaries.

(b) University of Hull Pension and Assurance Scheme

The University operates a funded pension scheme providing benefits based on the final pensionable pay. The assets of the scheme are held separately from those of the University and are invested in a segregated fund.

The contributions to the final salary scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last actuarial valuation was carried out at 6 April 2006. The market value of the scheme assets at that date excluding additional voluntary contributions was £48.1 million. The actuarial value of these assets was maintained at this figure under revised assumptions.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investment and to the rates of increase in pay and pensions. It was assumed that the investment returns would exceed pay increases by an average 2.5% per annum. On this basis the scheme was funded at 77%.

Employer contributions to the scheme during the year totalled £2,441,753 (2006: £2,292,169). Following the actuarial valuation at 6 April 2006 and in order to meet the agreed recovery plan, the University maintained its contribution rate at 25.40% of pensionable salaries.

(c) Other Pension Schemes

A small number of staff remain in other pension schemes. Employer contributions to such schemes totalled £ 753,064 during the year (2006: £748,780).

Notes to the accounts

(d) Financial Reporting Standard 17

The university has fully adopted accounting standard FRS 17 'Retirement Benefits' during the year. Disclosure information is provided for relevant schemes as outlined below.

i) Universities Superannuation Scheme

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are brought to account as if the scheme were a defined contribution scheme. The cost is recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

ii) University of Hull Pension and Assurance Scheme

A full actuarial valuation of this scheme was carried out at 6 April 2006 and financial assumptions updated to 31 July 2007 by a qualified independent actuary. The major assumptions used by the actuary were:

	2007	2006	2005
Rate of increase in salaries	3.60%	3.70%	3.20%
Rate of increase in pensions in payment	3.10%	3.20%	3.00%
Discount rate	5.70%	5.30%	5.10%
Inflation assumption	3.10%	3.20%	2.70%

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

	Long-term expected return	2007 £000	Long-term expected return	2006 £000	Long-term expected return	2005 £000
Equities	7.40%	36,853	7.60%	33,539	7.20%	30,031
Bonds	5.20%	10,618	4.80%	9,273	4.70%	7,853
Property	7.40%	2,390	7.60%	2,170	6.90%	1,749
Cash/Other	5.75%	2,326	4.75%	1,287	4.50%	1,588
		<u>52,187</u>		<u>46,269</u>		<u>41,221</u>

Notes to the accounts

The following amounts at 31 July each year were measured in accordance with the requirements of FRS 17:

	2007 £000	2006 £000	2005 £000
Total market value of assets	52,187	46,269	41,221
Present value of scheme liabilities	(62,939)	(59,705)	(56,748)
(Deficit) in the scheme	(10,752)	(13,436)	(15,527)

The following amounts have been recognised in the performance statements in the year to 31 July 2007 under the requirements of FRS 17:

	2007 £000	2006 £000
OPERATING PROFIT		
Current service cost	1,428	1,207
Past service cost	119	109
Total Operating Charge	1,547	1,316
OTHER FINANCE INCOME		
Expected return on pension scheme assets	3,256	2,746
Interest on pension scheme liabilities	(3,164)	(2,881)
Net Return	92	(135)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)		
Actual return less expected return on pension scheme assets	1,606	1,602
Experience gains and losses arising on scheme liabilities	(486)	0
Changes in assumptions underlying the present value of the scheme liabilities	514	(492)
Actuarial gain recognised in STRGL	1,634	1,110

Notes to the accounts

	2007	2006
	£000	£000
MOVEMENT IN (DEFICIT) DURING THE YEAR		
(Deficit) in scheme at beginning of the year	(13,436)	(15,527)
Movement in the year:		
Current service cost	(1,428)	(1,207)
Contributions	2,505	2,432
Past service costs	(119)	(109)
Other financial income	92	(135)
Actuarial gain	1,634	1,110
(Deficit) in scheme at end of year	(10,752)	(13,436)

DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2007

	2007	2006	2005	2004
Differences between the expected and actual return on scheme assets:				
Amount (£000)	1,606	1,602	4,580	69
Percentage of scheme assets	3%	3%	14%	0%
Experience gains and losses on scheme liabilities:				
Amount (£000)	(486)	0	(20)	(2,109)
Percentage of the present value of the scheme liabilities	(1%)	0%	0%	(5%)
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	1,634	1,110	(831)	91
Percentage of the present value of the scheme liabilities	(3%)	(2%)	(2%)	0%

iii) North Yorkshire Pension Fund (within "other pensions schemes" at (c) above)

The assumptions used in this scheme are different to those used in respect of the University of Hull Pension and Assurance Scheme because the University has no control over the assumptions adopted by the actuary to this scheme.

A full actuarial valuation of this scheme was carried out at 31 March 2004 and financial assumptions updated 31 July 2007 by a qualified actuary. The major assumptions used by the actuary were:

	2007	2006	2005
Rate of increase in salaries	4.95%	4.75%	4.4%
Rate of increase in pensions in payment	3.20%	3.00%	2.7%
Discount rate	5.80%	5.10%	5.0%
Inflation assumption	3.20%	3.00%	2.7%

Notes to the accounts

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

	Long-term expected return	2007 £000	Long-term expected return	2006 £000	Long-term expected return	2005 £000
Equities	7.50%	2,768	7.00%	2,268	7.5%	1,923
Bonds	5.80%	651	5.10%	570	5.0%	514
Property/Cash/Other	5.75%	199	4.50%	197	4.8%	32
		<u>3,618</u>		<u>3,035</u>		<u>2,469</u>

The following amounts at 31 July each year were measured in accordance with the requirements of FRS 17:

	2007 £000	2006 £000	2005 £000
Total market value of assets	3,618	3,035	2,469
Present value of scheme liabilities	(5,144)	(4,630)	(3,934)
(Deficit) in the scheme	<u>(1,526)</u>	<u>(1,595)</u>	<u>(1,465)</u>

Notes to the accounts

The following amounts have been recognised in the performance statements in the year to 31 July 2007 under the requirements of FRS 17:

	2007	2006
	£000	£000
OPERATING PROFIT:		
Current service cost	296	259
Past service cost	0	8
Total Operating Charge	296	267
	£000	£000
OTHER FINANCE INCOME:		
Expected return on pension scheme assets	189	170
Interest on pension scheme liabilities	(244)	(201)
Net Return	(55)	(31)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)		
Actual return less expected return on pension scheme assets	173	178
Experience gains and losses arising on scheme liabilities	0	(134)
Changes in assumptions underlying the present value of the scheme liabilities	43	(167)
Actuarial gain/(loss) recognised in STRGL	216	(123)
	£000	£000
MOVEMENT IN DEFICIT DURING THE YEAR		
(Deficit) in scheme at beginning of the year	(1,595)	(1,465)
Movement in the year:		
Current service cost	(296)	(259)
Contributions	204	291
Past service costs	0	(8)
Other financial income	(55)	(31)
Actuarial gain/(loss)	216	(123)
(Deficit) in scheme at end of year	(1,526)	(1,595)

During the accounting period there have been no significant changes to the scheme.

Notes to the accounts

DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2007

	2007	2006	2005	2004
Differences between the expected and actual return on scheme assets:				
Amount (£000)	173	178	291	1
Percentage of scheme assets	5%	6%	12%	0%
Experience gains and losses on scheme liabilities:				
Amount (£000)	0	(134)	98	0
Percentage of the present value of the scheme liabilities	0%	(3%)	2%	0%
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	216	(123)	(132)	(61)
Percentage of the present value of the scheme liabilities	4%	(3%)	(3%)	(2%)

When the above amounts are recognised in the financial statements, the group's net assets and income and expenditure reserves at 31 July become:

	2007 £000	2006 £000	2005 £000
Net assets excluding pension liability	83,082	68,894	65,112
Pension liability-UOH	(10,752)	(13,436)	(15,527)
Pension liability-NYPF	(1,526)	(1,595)	(1,465)
Net assets including pension liability	70,804	53,863	48,120

Income and expenditure reserve excluding pension liability	19,977	10,162	10,007
Pension liability-UOH	(10,752)	(13,436)	(15,527)
Pension liability-NYPF	(1,526)	(1,595)	(1,465)
Income and expenditure reserve including pension liability	7,699	(4,869)	(6,985)

The total pension liability for the group is therefore shown as:	2007 £000	2006 £000	2005 £000
	(12,278)	(15,031)	(16,992)

Notes to the accounts

Consolidated and University

	2007	2006
	£000	£000
30. ACCESS FUNDS		
Balance brought forward at 1 August	6	8
Funding Council Grants	771	1011
Interest earned	11	8
	788	1027
Disbursed to students	(722)	(1,021)
Balance unspent at 31 July	66	6

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

31. TDA BURSARY FUNDS

Consolidated and University

	2007	2006
	£000	£000
Balance brought forward at 1 August 2006	138	58
TDA Grants	1,731	1,639
	1,869	1,697
Disbursed to students	(1,744)	(1,559)
Balance unspent at 31 July 2007	125	138

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

	2007	2006
	£000	£000
32. TDA MINORITY ETHNIC RECRUITMENT		
Balance brought forward 1 August	4	0
TDA Grants	6	11
	10	11
Expenditure	(6)	(7)
Balance unspent at 31 July	4	4

These are funds for aiding recruitment and retention of students from minority ethnic backgrounds and are excluded from the Income and Expenditure Account.

Notes to the accounts

33. UNIVERSITY COMPANIES AND OTHER INTERESTS

Details of subsidiaries and other investments are given in note 11.

The University of Hull Maritime History Trust Limited is a company limited by guarantee which has charity status. It has been formed for the advancement of the education of the public by promotion of maritime historical studies at the University of Hull and the provision and facilitation of research in all aspects of maritime history. The Trust has ten trustees, of whom three are employees of the University.

During the year payments were made to the Trust for donations received amounting to £9,204 (2006: £2,857). The University payment from the Trust for payments made on its behalf amounted to £2,343 (2006: £832). The amount owing to the University at 31 July 2007 was £3,744 (2006: Enil). The amount owing by the University to the Trust at 31 July 2007 was £4,407 (2006: £15,170).

The Ferens Education Trust is constituted by a deed of trust and is registered as a charitable body. It has been formed to promote the advancement of liberal, technical and professional education and knowledge in the East Riding of Yorkshire and to assist the University of Hull in the furtherance of the objects for which it was founded. The Trust has five trustees, of whom two are employees of the University.

During the year grants were made from the Trust to the University amounting to £13,654 (2006: £26,673). The amount owing to the University at 31 July 2007 was £11,660 (2006: £187).

The above Trusts are not consolidated into the financial statements because the University of Hull does not exercise sufficient control or influence.

34. RELATED PARTY DISCLOSURE

During the year ended 31 July 2007, the University paid a grant of £1,277,022 (2006: £831,297) to the Students Union. Further payments were made to the Union of £38,720 (2006: £67,008) in respect of goods and services rendered. The Union made payments to the University of £568,317 (2006: £392,300) in respect of facilities recharges. At 31 July 2007 the University owed the Union £6,119 (2006: £2,704). An amount of £41,557 (2006: £188,945) was owing from the Union to the University.

During the year ended 31 July 2007, the University made payments to EMIH Ltd of £55,387 (2006: £53,719) in respect of rent for the flume laboratory and the use of and admission to facilities. EMIH Ltd made payments to the University of Enil (2006: £6,822) in respect of catering recharges. At the year end the University owed EMIH Ltd £76 (2006: £10,770). An amount of Enil (2006: Enil) was owing from EMIH Ltd to the University. The company has charitable status with a Board of nine directors, three of whom are nominees of the University.

During the year ended 31 July 2007, the University made payments to Information by Design Ltd of £411 (2006: £1,057) in respect of design work. Information by Design Ltd made payments to the University of £22,622 (2006: £39,182) in respect of project support services and postal/cleaning charges. At the year end the University owed Information by Design Ltd £493 (2006: Enil). An amount of £6,586 (2006: £2,990) was owing from Information by Design Ltd.

During the year ended 31 July 2007, the University made payments to IT Interface Ltd of £18,671 (2006: £42,064) for IT Training. IT Interface Ltd made payments to the University of Enil (2006: Enil). At the year end the University owed IT Interface Ltd Enil (2006: Enil). An amount of Enil (2006: Enil) was owing from IT Interface Ltd to the University.

During the year ended 31 July 2007, the University made payments to Kingston Chemicals Ltd of Enil (2006: £88) for chemicals and equipment. Kingston Chemicals Ltd made payments to the University of £13,802 (2006: £19,178) for goods and services. At the year end the University owed Kingston Chemicals Ltd Enil (2006: Enil). An amount of £4,828 (2006: £2620) was owing from Kingston Chemicals Ltd to the University.

During the year ended 31 July 2007, Chemtrix Ltd made payments to the University of Enil. An amount of £23,074 was owing from Chemtrix Ltd to the University.



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