



2007/08 Financial Statements

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Scope of financial statements

The consolidated financial statements cover all of the results and net assets of the University's subsidiary companies as detailed in Note 31.

Highlights of the year

- Operating surplus £5.5 million (2007: £4.9 million)
- Cash from operations £25.6 million (2007: £18.7 million)
- Turnover £347.3 million (2007: £314.8 million)
- Expenditure £341.8 million (2007: £309.9 million)
- Research grants and contracts awarded £121.0 million (2007: £106.7 million)
- Research grant and contract turnover £90.5 million (2007: £81.1 million)
- Capital expenditure £52.2 million (2007: £56.7 million)
- Cash balances £139.2 million (2007: £25.0 million)

Vice-Chancellor's operating and financial report

The University of Bristol is a world class institution dedicated to academic achievement across a broad range of disciplines; we are research intensive supporting both individual and thematic research and we are a centre for intellectually demanding, research informed education. We are committed to sustainable financial strategy, which is essential for the continued successful development of the University.



Professor Eric Thomas
Vice-Chancellor

Operating results

The operating surplus for the year retained within general reserves was £5.5 million, a small improvement on the previous year but substantially better than our budget. The planned surplus £2.3 million for the year, reflected substantial rises in our pay bill and utility costs. Careful control of other cost areas and short-term gains in certain income streams produced a result above plan.

Income increased by £33 million (10%) to £347 million reflecting consistent growth from all major income sources. Grants from the Funding Council increased by £8 million, with the recurrent grants for teaching and research contributing £5 million and specific grants £2 million of the increase. Tuition fees have increased by £11 million; home fees have contributed two thirds of the increase and overseas fees one-third with the former reflecting first and second year student intakes at the increased fee level. Overall student numbers have increased by 3%.

Research grants and contract income increased by £9 million against a growth of £5 million in the

previous year. Research Councils contributed almost all of the increase and, with most grants benefiting from funding under full economic costing rules, produced a 20% increase in grant margin. Grants awarded in year increased almost 12% in value to £121 million providing a secure pipeline going forward.

Interest from deposits, included in endowment and other financing income increased by almost £5 million following the drawdown and short-term investment of new loans.

Total operating expenditure, at £342 million, increased by £32 million (10%). Staff costs, accounting for 62% of the total expenditure, increased by £17 million and included approximately £4 million of costs resulting from the implementation of the second phase of our Reward Programme, which involved a comprehensive revision of our pay structures and a re-evaluation of all jobs in the University. Pension charges for the University of Bristol Pension and Assurance Scheme include both employer contributions and additional charges required under Financial Reporting Standard No.17 (FRS 17).

Endowments

Our endowment funds have remained stable at £46 million. The investment portfolio, based on a total return mandate, is constructed with a view to maximising returns within an agreed level of risk and reduced volatility. In the investment climate that has prevailed over the past year the major objective has been protecting value and this theme will continue for the foreseeable future.

Capital financing, borrowings and cash flow

Capital investment for the year totalled £52 million and was financed by capital grants, borrowings and cash inflow from operations.

Total borrowings have increased to £202 million from £76 million in the previous year. A new £250 million facility was arranged in two parts; £150 million repayable in 2047 and £100 million repayable in 2037. The interest rates on the total facility were fixed on the SWAP markets for the whole of each term at approximately 5%; the fixed rates have now been embedded in the loans and the SWAPS cancelled. The first facility, £150 million, was fully drawn in October and partly used to replace our existing sterling loans of £56 million; £40 million was drawn from the second facility in March and two further drawdowns are expected to be made in due course. Our long-term Euro borrowing, £20 million at the previous balance sheet date, was converted to a three-year rolling

credit facility and £8 million had been repaid at the balance sheet date.

Debt levels are managed through our internal net debt approval process. The Council of the University sets the authorised net debt (borrowings minus cash) level based on projected financial profiles. The authorised net debt level is currently £150 million against an actual of £63 million at the balance sheet date. The authorised net debt level is in line with the Financial Memorandum with Higher Education Funding Council for England. The debt agreements also include a range of financial covenants, which are consistent with our internal limits.

The University's exposure to interest rate fluctuation has materially diminished due to the long-term fixed rate structure described above, leaving only a small exposure to our Euro denominated floating rate loan.

Credit risk

The University's potential exposure to loss in the event of non-performance by a counterparty is managed by the application of appropriate policies which set out minimum acceptable credit ratings for material transactions and through credit approvals, limits and monitoring procedures by the central credit control function. A substantial proportion of our income is derived from UK Government.

The University's cash balances have increased substantially during the year

following the completion of our £250 million borrowing facility and drawdown of a large proportion of this. At the year-end date our cash and short-term deposits totalled almost £140 million. Our investment counterparty risk policy is to deal only in short-term money market deposits and financial instruments with UK banks or UK subsidiaries of overseas banks with a minimum Standard and Poor's credit rating of AA minus.

A maximum counterparty limit of £5 million is applied for institutions with AA minus ratings and a limit of £15 million for institutions with higher credit ratings. This policy was reviewed in April 2008. During the year we terminated our relationship with one treasury manager, a UK subsidiary of an Icelandic bank, with whom we had no counterparty exposure but used as agent to place funds on the money markets. We have substantially reduced our investment in an AAA rated money market fund over a number of months because of possible exposure to the insurance structure used to achieve this level of rating. We continue to monitor our treasury positions closely.

Credit rating

In August 2008, after performing its annual review, Standard & Poors rating services have reaffirmed the University's credit rating of AA

stable, the highest rating given by them to any UK university.

Current and future developments

Our financial strategy showed 2007/08 as the planned low point against an objective of steadily increasing operating surplus generation. The budget was set to achieve £2.3 million against an actual prior year of £5.5 million with surpluses rising to £6.5 million in 2008/09 and £10 million in 2009/10. The 2007/08 target reflected the penultimate phase of both the University's Reward Project and the national three-year pay agreement. The budgetary challenge this represented was exacerbated by substantial increases in other areas of cost, particularly utilities and library materials. In this context the outturn for the year of £5.5 million against the £2.3 million budget was a strong performance but was achieved mainly through short-term gains in income generation, which will not feed through to enhanced performance going forward.

The financial surplus and the cash for inward investment the surplus generates regulate the speed with which we are able to take forward our capital investment plans. The risks and challenges the University faces in meeting its financial strategy have increased substantially over the past year and continue to accumulate.

The final part of the national pay agreement, due from October 2008 and based on year on year increase in RPI at end September, will add a further 5% to our staff costs. These

increases will feed through to our final salary pension schemes where currently the University's contributions will take the strain. The contribution rate for Universities Superannuation Scheme is forecast to increase, following the current valuation, due to both increased longevity and other factors including higher than forecast salary increases in the sector.

Current and ongoing conditions in the financial markets and the world economic situation will not only impact on our pension schemes and other investments but could have wider repercussions on our income base and capital funding.

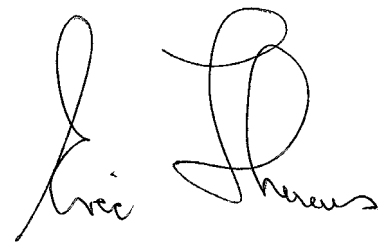
Much of our funding is derived from Government and we have benefited from significant increases in income over recent years both in recurrent funding and capital grants. We recognise the risk that, with the pressure on public funding, these increases are not likely to continue.

We have seen a substantial increase in overseas fee income recently, an area of income that is volatile and will now be at a higher level of risk with fluctuating exchange rates and global economic downturn and we must therefore set with caution our income assumptions going forward.

The risks in our funding environment have always been recognised and we have a long running record of dealing with these, planning appropriately and meeting our targets. These risks have now increased substantially both in our

income and cost base. We recognise, and are taking action to address the cost base pressures. The impact will not be immediate but will need to be long lasting to allow us to continue with the substantial investment in our operations and infrastructure.

The University has a strong balance sheet and long-term funding secured to support the areas of fundamental value in the University; our research teaching, and enterprise. We will use these wisely in delivering our long-term mission during a period when short-term pressures will be considerable.



*Professor Eric Thomas
Vice-Chancellor*

Responsibilities of Council

In accordance with the Royal Charter of Incorporation 1909, the Council of the University of Bristol is responsible for the administration and management of the affairs of the University of Bristol and is required to present audited financial statements for each financial year.

Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University of Bristol and enable it to ensure that the financial statements are prepared in accordance with the University of Bristol Acts 1909, 1960 & 1974, the Statement of Recommended Practice: Accounting for Further and Higher Education, and all relevant accounting standards.

In addition, within the terms and conditions of the Financial Memorandum which sets out the conditions of funding from the Higher Education Funding Council for England (HEFCE), 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 of Bristol and of the surplus or deficit and cash flows for that year.

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

- the most appropriate accounting policies are selected, applied consistently and regularly reviewed;
- the most appropriate estimation techniques are used;
- 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 University of Bristol will continue in operation.

Council has taken reasonable steps to:

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

Council recognises its responsibility for the maintenance and integrity of the University's website when publishing the financial statements through this medium and notes that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of Council

Class I: Lay Members

Treasurer, appointed by Court:

Mr T. R. Thom (Chair of Audit Committee)
(Retired 31 December 2007)

Mr J. G. H. Wadsworth (Chair of Audit Committee) (from 31 December 2007)

Appointed by Bristol City Council:

Councillor T. Cook (to 30 June 2008)

Councillor R. Griffey (from 1 July 2008)

Appointed by Society of Merchant Venturers:

Mr D. Burn

Appointed by Convocation:

Dr S. A. Goldsmith (Chair of Standing Committee of Convocation)

Elected by Court:

Mrs A. Bernays (Vice Chair and Chair of Student Affairs Committees)

Mr J. R. Bramhall (Chair of Information Services and Systems Committee)

Mr C. J. Curling

Mr R. Dufton

Mr J. S. Foulds (Chairman and Chair of Remuneration and Nominations Committees)

Mr C. H. Green C.B.E.

Mr D. Moore

Mr R. Morton (Chair of Personnel and Staff Development Committee)

Mr G. Morton

Mr D. C. Ord (Chair of Finance Committee)

Mrs C. Peck

Mr T. S. Ross (Chair of Health and Safety Committee)

Mr T. Stevenson (Chair of Estates Committee)

Mrs C. E. Waithe

(for year to 31 July 2008)

Class II: University Staff

Ex officio:

Professor E. J. Thomas (Chair of Honorary Degrees Committee)

Professor S. A. R. Knox

Professor D. N. Clarke (Chair of Equality and Diversity Committee)

Professor A. E. Waterman-Pearson

Appointed by Senate:

Mr J. O. Bailey

Professor R. Deem

Professor L. Hall

Dr S. Lyne

Non-Academic Staff on Court:

Mr G. A. Macdonald

Mr R. Massie

Class III: Students

Mr T. Webb

Ms H. Issacs

Ms S. Ali

Corporate governance

The following corporate governance statement provides information about the University's governance and legal structure.

Principles

The University is committed to best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with the seven principles identified by the Nolan Committee on Standards in Public Life, namely selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The University has complied with guidance to universities provided by the Committee of University Chairmen (CUC), in particular the CUC Governance Code of Practice issued in November 2004, save that:

- The University Council has 32 members. Council regularly reviews its size, composition and role, and has recently re-affirmed its view that it works effectively with its current membership.
- Lay members' appointments to Council are managed by the Nominations Committee of Court, which is chaired by a pro-chancellor. This is a more independent procedure than the use of a Nominations Committee chaired by the Chairman of Council.

Legal status of the University

The University is a chartered corporation, whose legal status derives from a Royal Charter granted in 1909. The University's objects, powers and framework of governance are set out in the Charter and supporting statutes and ordinances.

The Charter and statutes require the University to have four separate bodies, Court, Council, Senate and Convocation, each with clearly defined functions and responsibilities, to oversee and manage its activities.

For many years, the University has been an exempt charity that is not required to register with the Charity Commission. Under the Charities Act 2006, universities in England will, with effect from a date to be announced in 2009, be regulated on behalf of the Charity Commission by HEFCE. All charities are now required to demonstrate that their activities are for the public benefit. The University will in future years set out in its Annual Report how its charitable aims are carried out, through the activities undertaken, for the public benefit.

Court

The Chancellor is the President of Court. There are some 550 members, which include officers of the University, members of Council and Senate, emeritus professors, benefactors, members of the Society of Merchant Venturers, representatives of local authorities, persons appointed by the Privy Council, persons appointed by the Chancellor of the University, representatives of other universities, local Members of Parliament, representatives of local and national bodies, and members elected by Convocation.

Court receives annual reports from Council and an annual audited statement of accounts. Court may comment on the affairs of the University, advise Council on any matter and invite Council to review a decision.

Court may advise Council on any matter relating to the University. Council reports to Court and is required to take into consideration any views expressed by Court. The constitution of Court is defined by statute.

Court appoints the Chancellor, Pro-Chancellors and Treasurer on the nomination of Council, appoints annually the external auditors and elects 15 lay members of Council. Court may for good cause remove members of Court or Council, other than those who are members by virtue of their office or members of the academic staff.

Court normally meets once a year in December, but may hold special meetings at the request of members. The Chancellor presides.

Council

There are 32 members of Council, with a lay majority. The members are the Vice-Chancellor, 3 Pro-Vice-Chancellors, and the following lay members, the Treasurer appointed by Court, 15 lay members elected by Court, a member appointed by Bristol City Council, a member appointed by the Society of Merchant Venturers and a member appointed by Convocation; 4 members of the academic staff appointed by Senate, 2 elected members of the non-academic staff and 3 elected students. Elected and

appointed members serve for renewable three-year terms, except the Treasurer and students who are reappointed annually. The lay members do not receive any payment for the work they do for the University, apart from the reimbursement of expenses.

Council is the governing body of the University, responsible for financial affairs, borrowings, investments, buying, selling, leasing and mortgaging property, contracts and the general business of the University. In consultation with Senate and on the recommendation of the Vice-Chancellor, Council sets the strategic direction of the institution. Council appoints the Vice-Chancellor and Pro-Vice-Chancellors after consultation with Senate. Council may make, amend or repeal statutes subject to the approval of the Privy Council.

Council normally meets six times a year. It elects a lay Chairman and Vice-Chairman to serve on an annual basis. Council committees advise Council in a wide range of areas, including Finance, Estates, Personnel and Staff Development, Remuneration, Health and Safety, and Audit. These committees have written terms of reference and include a significant proportion of lay members.

Audit Committee

Council's Audit Committee normally meets three times a year, with senior officers and the external and internal auditors in attendance. The committee considers detailed reports from the auditors, which include recommendations for the

improvement of the University's systems of internal control, together with management responses and implementation plans. The Committee also receives and considers reports from the Higher Education Funding Council for England (HEFCE) as they affect the University's business and monitors adherence to regulatory requirements. The Committee meets the auditors without the University officers present at least once a year.

Senate

There are just over 100 members of Senate, comprising the Vice-Chancellor, Pro-Vice-Chancellors, academic staff and students. Senate is responsible to Council for teaching, examinations and research. Senate advises Council on changes to ordinances and regulations. Academic ordinances may be made only with Senate's consent. Senate may declare an opinion on any matter relating to the University and Council must take Senate's views into consideration. Senate normally meets 5 times a year. Its chairman is the Vice-Chancellor. Senate has various committees, the most important being the University Planning and Resources Committee, which assists the Vice-Chancellor with academic planning and prioritisation, and whose membership comprises the Vice-Chancellor, Pro-Vice-Chancellors, Registrar and the Deans of each of the six Faculties.

Convocation

The members of Convocation are the Chancellor, Pro-Chancellors, Vice-Chancellor, Pro-Vice-Chancellors, honorary fellows, members of Senate, academic staff, University officers, graduates, honorary graduates and such other former students as Convocation determines, currently those who have received academic awards requiring at least nine months of full-time study or an equivalent period of part-time study. There are also associate members, including all the academic-related staff of the University.

Convocation may give an opinion on any matter relating to the University and may communicate directly with Council, Court, or Senate. The Annual General Meeting of Convocation is held in July each year. The Chancellor presides if present, but normally the Chairman of Convocation takes the chair.

Vice-Chancellor

The Chief Executive and academic leader of the University is the Vice-Chancellor. He has a general responsibility for ensuring that all public funds are properly used and that in its activities the University achieves value for money.

Under the terms of the formal Financial Memorandum between the University and the HEFCE, the Vice-Chancellor is the Designated Officer of the University. In that capacity he is required to advise Council on the discharge of all its responsibilities under the Financial Memorandum and the Audit Code of Practice and is required, jointly

with Council, to ensure that all such responsibilities are discharged.

He is required to advise Council if, at any time, any action or policy under consideration by Council appears to him to be incompatible with the terms of the Financial Memorandum. He is required to inform the Accounting Officer of the HEFCE in writing forthwith should Council decide nevertheless to proceed with such an action or policy. The Vice-Chancellor may be summoned to appear before the Public Accounts Committee of the House of Commons.

Internal control

Council has responsibility for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives, and it can therefore provide only a reasonable and not an 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 the University's goals, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

In order to implement the risk management strategy, Council has adopted a risk management policy in line with advice from the internal

auditors. The University produces an annual risk strategy each July, which sets out the University's most significant risks for the coming year, together with actions currently being taken to control the risks and a future action plan. The risk management policy is subject to oversight by the Risk Strategy Group, whose membership includes a Pro-Vice-Chancellor, the Registrar, University Secretary and a lay member of Council. The risk process feeds into the University Plan and is the basis of the work of internal audit.

The University has internal auditors who submit regular reports, which include their independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. Council, including by reference to these reports, derived the opinion that overall the University has adequate and effective arrangements for risk management, control and governance.

Register of Interests

The University maintains a Register of Interests of members of Council and senior officers. The register is available for inspection under the Freedom of Information Act 2000.

Further information

Any enquiries about the constitution and governance of the University or request to inspect the Register of Interests should be addressed to the University Secretary, who is Secretary to Court, Council and Convocation.

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

We have audited the financial statements of the University of Bristol for the year ended 31 July 2008 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out in therein.

Respective responsibilities of Council and auditors

The Council's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of Council.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Council of the institution in accordance with the Charters and Statutes of the institution and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose

hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the institution's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE) and with the funding agreement with the Training and Development Agency for Schools. We also report to you if, in our opinion, the institution has not kept proper accounting records, the accounting records do not agree with the financial statements, or if

we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the Vice-Chancellor's Operating and Financial Report, the Responsibilities and Membership of Council and the Corporate Governance statement.

We also review the statement of internal control included as part of the Corporate Governance Statement and comment if the statement is inconsistent with our knowledge of the institution and group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial

statements. Our responsibilities do not extend to any other information.

The maintenance and integrity of the University of Bristol's website is the responsibility of Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Code of Practice. 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 governing body in the

preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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:

- i. the financial statements give a true and fair view of the state of affairs of the institution and the group at 31 July 2008, and of the surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended

Practice – Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice;

iii. in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received; and

iv. in all material respects, income has been applied in accordance with the institution's statutes and where appropriate in accordance with the financial memorandum (2006/24) with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

Pricewaterhouse Coopers LLP

*Chartered Accountants and
Registered Auditors Bristol*

28 November 2008

Explanatory notes and principal accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and land and buildings, and in accordance with both the Statement of Recommended Practice – Accounting for Further and Higher Education 2007 (SORP) and applicable Accounting Standards. The previous year's accounts have been restated in light of the new SORP where appropriate.

Basis of consolidation

The consolidated financial statements include the results of the University and all subsidiary undertakings for the financial year to 31 July.

The consolidated financial statements do not include those of the University of Bristol Students' Union, as the University does not have dominant influence over their policy decisions.

Recognition of income

Income from the Funding Council is recognised in the period in which it is receivable.

Income from Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs. Services Rendered income is included to the extent of the completion of the contract or service concerned.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

All income from short-term deposits and endowments is credited to the income and expenditure account on a receivable basis.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Land and buildings

Land and Buildings are stated at valuation or cost. The basis of valuation is a combination of depreciated replacement cost, existing use and open market value. Annually, 25% of the estate is valued as at 31 July by Alder King, Chartered Surveyors, with specific regard to the requirements of the

Royal Institution of Chartered Surveyors Valuation Standards. This process is repeated each year so that the whole estate is revalued every four years.

Land held freehold is not depreciated as it is considered to have an indefinite useful life.

Buildings are depreciated over their average expected useful life of 50 years.

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.

The cost of buildings includes the cost of interest capitalised during the course of construction.

Leasehold and laboratory refurbishments

Leasehold and laboratory refurbishments are identified and capitalised separately from the main land and building costs. They are being depreciated over their expected useful life of 10 years.

Where the capitalised refurbishments are funded with the aid of specific grants, these grants are treated as deferred capital grants. They are released to income over the same period.

Equipment

Equipment, including computers and software, costing less than £5,000 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 of five years. When five years have elapsed the costs and associated depreciation are eliminated from the University's accounts. Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above, except that the minimum value is £25,000 and the useful life is three years. The related grant is released to income over the expected useful life of the equipment.

Leases

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 and expenditure in proportion to the reducing capital

element outstanding. Assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

The University does not have any material operating leases.

Intangible assets

The value of internally generated patents, licences, and other similar rights over assets is recognised on the balance sheet by capitalising the costs of registering such rights and amortising over a period of three years.

Fixed asset investments

Fixed asset investments are included in the balance sheet at market value.

Current asset investments

Current asset investments are included in the balance sheet at the lower of cost or net realisable value. Where properties are appropriated to investments, they are transferred at the lower of carrying value or net realisable value.

Stocks

All stocks have been valued at the lower of cost or net realisable value.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within

24 hours without penalty. No other 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 held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

Pension schemes

The University of Bristol participates in the University of Bristol Pension and Assurance Scheme (UBPAS), the Universities Superannuation Scheme (USS), and the National Health Service Pension Scheme (NHSPS).

All are defined benefit schemes based on final salaries, contracted out of the State Earnings Related Pension Scheme, with assets held in separate trustee-administered funds. The costs are financed by contributions from the University and its staff. With USS and NHSPS, where the University is unable to identify its share of the underlying assets and liabilities in the schemes on a reasonable basis, it accounts as if these schemes were defined contribution schemes, so that the cost is equal to the total contributions payable in the year.

For UBPAS, the assets of the scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the

Explanatory notes and principal accounting policies (continued)

projected unit credit method and discounted at an appropriate rate of return. The surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service cost are included within staff costs. The net of the expected return on assets, being the actuarial forecast of the total return on the assets of the scheme, and the interest cost being the notional interest cost arising from unwinding the discount on the scheme liabilities, is accounted as interest receivable or payable. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

The costs of pension increases paid to some former employees under the Federated Superannuation Scheme for Universities (FSSU) and the University of Bristol Superannuation Scheme for non-academic staff, are also met by the University and charged to the Income and Expenditure account as pension costs.

Maintenance of premises

The University has a long-term maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the income and expenditure account as incurred. The University also plans in its capital programme to meet the cost of major upgrade expenditure which occurs on an irregular basis; such expenditure is treated either as additions to land and buildings or laboratory refurbishments and depreciated over their expected useful lives.

Financial instruments

The University uses derivative financial instruments called interest rate swaps to reduce exposure to interest rate movements on its loans. Such derivative financial instruments are not held for speculative purposes and relate to actual liabilities, changing the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

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. Any resulting translation differences are dealt with in the determination of income and expenditure for the financial year.

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 exclusively to 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 2008

	Notes	Consolidated	
		2007/2008 £m	Restated 2006/2007 £m
Income			
Funding body grants	1	130.9	123.4
Tuition fees and support grants	2	62.4	51.3
Research grants and contracts	3	90.5	81.1
Other income	4	55.8	55.6
Endowment and other financing income	5	7.7	3.4
Total income		347.3	314.8
Expenditure			
Staff costs	6	211.3	194.1
Depreciation	10	27.2	24.1
Other operating expenses	7	92.7	85.5
Interest payable and other financing costs	8	10.6	6.2
Total expenditure	9	341.8	309.9
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		5.5	4.9
Surplus on sale of properties		-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets		5.5	4.9
Transfer from accumulated income within endowment funds	20	0.6	0.6
Surplus for the year retained within income and expenditure reserves	22	6.1	5.5

The income and expenditure account is in respect of continuing activities.

The 2006/2007 accounts were restated with minor re-categorisations. There was no impact on the results.

Consolidated statement of historical cost surpluses and deficits for the year ended
31 July 2008

	Notes	Consolidated	
		2007/2008 £m	2006/2007 £m
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets		5.5	4.9
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	2.1	2.1
Historical cost surplus for the year		7.6	7.0

Consolidated statement of total recognised gains and losses for the year ended
31 July 2008

	Notes	Consolidated	
		2007/2008 £m	2006/2007 £m
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets		5.5	4.9
Unrealised surplus on revaluation of properties	21	2.1	8.9
Depreciation written back on revaluation of properties	21	3.4	3.5
Revaluation of investments	21	-	0.1
(Decrease)/Increase in deferred capital grants	19	(0.1)	18.9
New endowments	20	1.6	1.8
(Reduction)/Appreciation of endowment asset investments	20	(0.4)	2.6
Actuarial loss in respect of pension scheme	29	(4.6)	(6.3)
Total recognised gains relating to the year		7.5	34.4
Reconciliation			
Net assets as at 1 August		530.7	496.3
Total recognised gains for the year		7.5	34.4
Net assets as at 31 July		538.2	530.7

Consolidated balance sheet as at 31 July 2008

	Notes	Consolidated		University	
		2008	Restated 2007	2008	Restated 2007
		£m	£m	£m	£m
Fixed assets					
Tangible assets	10	626.3	589.5	594.3	557.0
Intangible assets	11	0.4	0.4	0.4	0.4
Investments	12	0.4	0.4	28.5	28.5
		627.1	590.3	623.2	585.9
Endowment assets	13	46.4	45.8	46.4	45.8
Current assets					
Stocks		1.1	1.0	1.1	1.0
Debtors	14	38.4	40.2	40.2	42.0
Investments	15	0.2	6.3	0.1	6.3
Cash at bank and in hand		139.2	25.0	137.4	24.1
		178.9	72.5	178.8	73.4
Creditors: Amounts falling due within one year	16	(76.6)	(73.7)	(81.4)	(79.1)
Net current assets/(liabilities)		102.3	(1.2)	97.4	(5.7)
Total assets less current liabilities		775.8	634.9	767.0	626.0
Creditors: Amounts falling due after more than one year	17	(201.8)	(74.2)	(201.8)	(74.2)
Net Assets excluding pension liability		574.0	560.7	565.2	551.8
Pension liability	29	(35.8)	(30.0)	(35.8)	(30.0)
NET ASSETS INCLUDING PENSION LIABILITY		538.2	530.7	529.4	521.8
Represented by:					
Deferred capital grants	19	174.0	174.1	174.0	174.0
Endowments					
Expendable	20	6.7	6.7	6.7	6.7
Permanent	20	39.7	39.1	39.7	39.1
Total endowments		46.4	45.8	46.4	45.8
Reserves					
Revaluation reserve	21	247.0	243.6	238.7	235.4
Income and expenditure reserve	22	106.6	97.2	106.1	96.6
Pension reserve	22, 29	(35.8)	(30.0)	(35.8)	(30.0)
Total reserves		317.8	310.8	309.0	302.0
TOTAL FUNDS		538.2	530.7	529.4	521.8

The financial statements on pages 12 to 35 were approved by the Council on 27 November 2008, and signed on its behalf by:

Professor Eric Thomas,
Vice-Chancellor



Mr James Foulds,
Chairman of Council



Consolidated cash flow statement for the year ended 31 July 2008

	Notes	Consolidated	
		2007/2008 £m	2006/2007 £m
Net cash inflow from operating activities	24	25.6	18.7
Returns on investments and servicing of finance	27	(0.6)	(2.0)
Capital expenditure and financial investment	28	(36.3)	(22.8)
Cash outflow before financing		(11.3)	(6.1)
Financing	25	125.5	1.5
Increase/(Decrease) cash in the year	26	114.2	(4.6)
Reconciliation of net cash flow to movements in net debt			
Increase/(Decrease) in cash in the year	26	114.2	(4.6)
Cash inflow from change in net debt	25	(125.5)	(1.5)
Change in net debt arising from cash flows		(11.3)	(6.1)
Translation difference on foreign currency loans	5	0.2	0.3
Change in net debt		(11.1)	(5.8)
Net debt at 1 August		(51.5)	(45.7)
Net debt at 31 July		(62.6)	(51.5)

Notes to the accounts for the year ended 31 July 2008

1. Funding body grants

	2007/2008	2006/2007
	£m	£m
Recurrent grant		
Higher Education Funding Council for England	107.2	102.0
Training and Development Agency for Schools	1.4	1.3
Specific grants		
Joint Information Systems Committee	5.2	4.5
Higher Education Academy Subject Centres	1.1	0.8
Centres for Excellence in Teaching and Learning	1.1	1.0
Teaching Quality Enhancement Fund	0.4	0.6
Reach Out	1.4	1.3
Roberts Funding	0.7	0.8
Other	1.6	1.0
Deferred capital grants released in the year:		
Buildings (Note 19)	8.3	7.5
Equipment (Note 19)	2.5	2.6
	130.9	123.4

2. Tuition fees and support grants

	2007/2008	2006/2007
	£m	£m
Full-time students	34.6	26.8
Full-time students charged overseas fees	24.0	20.4
Part-time students	0.7	0.9
Research training support grant	1.5	1.4
Short course fees	1.6	1.8
	62.4	51.3

3. Research grants and contracts

	2007/2008	2006/2007
	£m	£m
Research councils	39.9	32.4
UK-based charities	21.4	21.0
European Commission and other Euro-denominated contracts	6.2	6.1
Other grants and contracts	23.0	21.6
	90.5	81.1

Income from research grants and contracts includes the release of deferred grants for equipment amounting to £1.9m (2006/2007: £1.6m).

Notes to the accounts (continued)

4. Other income

	2007/2008	2006/2007
	£m	£m
Residences, catering and conferences	15.8	14.6
Other services rendered	13.9	15.6
Contracts with health and hospital authorities	7.6	7.9
Funded teaching and general research	5.0	3.9
Departmental and other income	8.4	8.8
Donations	1.8	1.7
Deferred grants released (Note 19)	3.3	3.1
	55.8	55.6

5. Endowment and other financing income

	2007/2008	2006/2007
	£m	£m
Income from expendable endowments (Note 20)	0.2	0.1
Income from permanent endowments (Note 20)	1.1	1.1
Interest from deposits	6.2	1.3
	7.5	2.5
Net exchange gains in the year	-	0.2
Unrealised translation difference on foreign currency loans	0.2	0.3
Pension scheme finance income (Note 29)	-	0.4
	7.7	3.4

Unrealised translation difference on foreign currency loans represents exchange differences on the University's Euro loans.

6. Staff

	2007/2008	2006/2007
	£m	£m
Staff costs:		
Wages and salaries	173.5	158.9
Social security costs	14.6	13.5
Other pension costs (Note 29)	23.2	21.7
	211.3	194.1
	2007/2008	2006/2007
	£000	£000
Emoluments of the Vice-Chancellor:		
Remuneration (including benefits in kind £1,000 (2006/2007: £1,000))	251	231
Pension costs (on the same basis as for other academic staff)	35	32
	286	263

Notes to the accounts (continued)

6. Staff (continued)

Remuneration of other higher paid staff, excluding employer's pension contributions (payments in respect of distinction awards and other payments under separate NHS contracts of employment are excluded from the University's income and expenditure account):

	Excluding distinction awards and other NHS payments		Including distinction awards and other NHS payments	
	2007/2008 Number	2006/2007 Number	2007/2008 Number	2006/2007 Number
£100,000-£109,999	20	20	24	23
£110,000-£119,999	7	2	14	7
£120,000-£129,999	2	-	8	7
£130,000-£139,999	2	1	10	10
£140,000-£149,999	-	-	6	-
£150,000-£159,999	-	-	7	6
£160,000-£169,999	-	1	6	9
£170,000-£179,999	1	-	5	-
£180,000-£189,999	-	1	3	2
£190,000-£199,999	1	-	1	1
			2007/2008	2006/2007
Average full-time equivalent staff numbers by major category:			Numbers	Numbers
Academic/Clinical			2,286	2,294
Technical			568	569
Administrative and operational support			2,177	2,109
			5,031	4,972

7. Other operating expenses

	2007/2008	2006/2007
	£m	£m
Academic departmental expenditure	18.8	18.1
Research	24.3	23.6
Books and periodicals	3.6	2.9
Staff and student facilities and general educational expenditure	16.0	14.4
Studentships	1.5	1.3
Fellowships, scholarships and prizes – endowments	1.0	0.9
Fellowships, scholarships and prizes – general funds	3.1	2.1
Services rendered	5.6	6.6
Grants to University of Bristol Students' Union	1.0	0.9
Residences, catering and conferences operating expenses	5.1	4.3
Heat, light, water and power	5.8	6.6
Other premises costs	5.3	2.6
Rents	1.6	1.2
	92.7	85.5
Other operating expenses included:	2007/2008	2006/2007
	£'000	£'000
Audit fees payable to the University's external auditors for University main audit	40	38
Audit fees payable to the University's external auditors for subsidiaries audit	5	5
Other fees payable to the University's external auditors	-	26
Audit fees payable to other firms	10	8
Internal auditors' remuneration	70	61

Notes to the accounts (continued)

8. Interest payable and other financing costs

	2007/2008	2006/2007
	£m	£m
Bank loans wholly repayable within five years	0.7	1.4
Bank loans not wholly repayable within five years	7.4	3.1
	<u>8.1</u>	<u>4.5</u>
Net exchange losses in the year	2.5	-
Interest on taxation	-	0.8
Fees associated with long-term loans repaid	-	0.9
	<u><u>10.6</u></u>	<u><u>6.2</u></u>

Interest payable includes the amortisation of the fees associated with long-term financing arrangements.

9. Analysis of expenditure by activity

	Staff	Depre-	Other	Interest &	2007/08	Restated
	costs	ciation	operating	financing	Total	Total
	£m	£m	expenses	costs	£m	£m
Academic departments	103.0	2.6	18.8	6.9	131.3	118.4
Academic services	16.6	0.3	9.1	-	26.0	23.0
Research grants	45.1	1.9	24.3	-	71.3	65.2
Services rendered	5.8	-	5.6	-	11.4	12.5
Residences, catering and conference	7.0	0.3	5.1	1.2	13.6	12.1
Premises	10.1	21.8	12.8	-	44.7	38.6
Administration	17.8	0.3	6.7	2.5	27.3	26.9
Others including general endowment expenditure	5.9	-	10.3	-	16.2	13.2
Total per income and expenditure account	<u><u>211.3</u></u>	<u><u>27.2</u></u>	<u><u>92.7</u></u>	<u><u>10.6</u></u>	<u><u>341.8</u></u>	<u><u>309.9</u></u>

Notes to the accounts (continued)

10. Tangible assets

	Consolidated				University			
	Leasehold and		Equip- ment	Total	Leasehold and		Equip- ment	Total
	Freehold land and buildings	laboratory refurbish- ments			Freehold land and buildings	laboratory refurbish- ment		
£m	£m	£m	£m	£m	£m	£m	£m	
Valuation/Cost								
At 1 August 2007	506.7	98.9	32.6	638.2	477.2	98.9	29.1	605.2
Re-categorised	(4.2)	4.2	-	-	(4.2)	4.2	-	-
Additions at cost	23.5	17.2	11.6	52.3	23.5	17.1	11.6	52.2
Transfer from current assets	6.3	-	-	6.3	6.3	-	-	6.3
Eliminations at cost	-	-	(9.0)	(9.0)	-	-	(9.0)	(9.0)
Revaluations in year	2.1	-	-	2.1	2.0	-	-	2.0
At 31 July 2008	534.4	120.3	35.2	689.9	504.8	120.2	31.7	656.7
Consisting of:								
At valuation	495.0	-	-	495.0	465.4	-	-	465.4
At cost	39.4	120.3	35.2	194.9	39.4	120.2	31.7	191.3
	534.4	120.3	35.2	689.9	504.8	120.2	31.7	656.7
Accumulated depreciation								
At 1 August 2007	6.7	26.6	15.4	48.7	6.9	26.6	14.7	48.2
Re-categorised	(0.1)	0.1	-	-	(0.1)	0.1	-	-
Charge for year	5.9	12.0	9.3	27.2	5.4	12.0	9.1	26.5
Transfer from current assets	0.1	-	-	0.1	0.1	-	-	0.1
Eliminations	-	-	(9.0)	(9.0)	-	-	(9.0)	(9.0)
Written back on revaluation	(3.4)	-	-	(3.4)	(3.4)	-	-	(3.4)
At 31 July 2008	9.2	38.7	15.7	63.6	8.9	38.7	14.8	62.4
Net book value								
At 31 July 2008	525.2	81.6	19.5	626.3	495.9	81.5	16.9	594.3
At 31 July 2007	500.0	72.3	17.2	589.5	470.3	72.3	14.4	557.0

A representative 25% of the estate has been valued at 31 July 2008 by Alder King, Chartered Surveyors, on the basis of either market value or existing use value using the Depreciated Replacement Cost methodology. This process is repeated each year so that the whole estate is revalued every four years.

Freehold buildings include £18.2m of buildings in the course of construction. The additions during the year included £0.6m (2006/2007: £0.3m) of interest capitalised during the course of construction of new buildings, charged at a rate of 5.25% (2006/2007: 5.21%).

Leasehold and laboratory refurbishments included £6.1m cost/£1.4m accumulated depreciation (2006/2007: £2.0m/£0.8m) of leasehold land and buildings.

During the year, certain properties which were scheduled for disposal have been reclassified as fixed assets from current asset investments as the University has decided not to sell them.

Notes to the accounts (continued)

11. Intangible assets (patents and copyrights)

	Consolidated and University	
	2008 £m	2007 £m
Cost		
At 1 August	0.8	0.6
Additions at cost	0.4	0.4
Eliminations at cost	(0.4)	(0.2)
At 31 July	0.8	0.8
Amortisation		
At 1 August	0.4	0.3
Charge for year	0.4	0.3
Eliminations	(0.4)	(0.2)
At 31 July	0.4	0.4
Net book value		
At 31 July	0.4	0.4

12. Fixed asset investments

	Consolidated		University	
	2008 £m	2007 £m	2008 £m	2007 £m
Shares in University's subsidiary companies	-	-	28.1	28.1
Shares in listed and unlisted companies	0.4	0.4	0.4	0.4
Total fixed asset investments	0.4	0.4	28.5	28.5

13. Endowment asset investments

	Consolidated and University	
	2008 £m	2007 £m
Market value at 1 August	45.8	42.0
Net additions	1.0	1.2
(Reduction)/Appreciation in the value of endowment asset investments	(0.4)	2.6
Market value at 31 July	46.4	45.8
Fixed interest stocks	6.7	7.0
Equities	17.3	22.0
Hedge funds	5.2	5.4
Property	0.5	0.5
Cash	16.7	10.9
Total endowment asset investments	46.4	45.8

Notes to the accounts (continued)

14. Debtors

	Consolidated		University	
	2008	Restated 2007	2008	Restated 2007
	£m	£m	£m	£m
Amounts falling due within one year:				
Research grants recoverable	25.4	20.7	25.4	20.6
Other debtors	13.0	19.5	12.9	19.5
Amounts owed by subsidiary undertakings	-	-	1.9	1.9
	<u>38.4</u>	<u>40.2</u>	<u>40.2</u>	<u>42.0</u>

The 2007 accounts were restated to show research grants recoverable at gross and not netted against amounts due from the same sponsor.

15. Current asset investments

	Consolidated		University	
	2008	2007	2008	2007
	£m	£m	£m	£m
Properties	-	6.2	-	6.2
Other (including shares in listed companies)	0.2	0.1	0.1	0.1
	<u>0.2</u>	<u>6.3</u>	<u>0.1</u>	<u>6.3</u>

During the year, certain properties which were scheduled for disposal have been reclassified as fixed asset from current asset investments as the University has decided not to sell them.

16. Creditors: amounts falling due within one year

	Consolidated		University	
	2008	Restated 2007	2008	Restated 2007
	£m	£m	£m	£m
Obligations under long-term loans	-	2.3	-	2.3
Obligations under finance leases	0.1	-	-	-
Research grants received in advance	23.3	19.9	23.3	19.9
Other creditors	32.5	29.9	32.5	29.9
Social security and other taxation payable	6.9	8.2	6.9	8.2
Accruals and other deferred income	13.8	13.4	13.3	13.2
Amounts owed to subsidiary undertakings	-	-	5.4	5.6
	<u>76.6</u>	<u>73.7</u>	<u>81.4</u>	<u>79.1</u>

The 2007 accounts were restated to show research grants received in advance at gross and not netted against amounts receivable from the same sponsor.

17. Creditors: amounts falling due after more than one year

	Consolidated		University	
	2008	2007	2008	2007
	£m	£m	£m	£m
Bank loans – secured and unsecured	<u>201.8</u>	<u>74.2</u>	<u>201.8</u>	<u>74.2</u>

Notes to the accounts (continued)

18. Borrowings

	Consolidated and University	
	2008	2007
	£m	£m
Bank loans are repayable as follows:		
In one year or less	-	2.3
Between one and two years	-	2.3
Between two and five years	11.8	6.9
In five years or more	190.0	65.0
	<u>201.8</u>	<u>76.5</u>

£11.8m of the above loans at 31 July 2008 (31 July 2007: £20.1m) were denominated in Euros. The University has a quarterly option for early repayment in full or part.

In October 2007, the University replaced all its sterling loans with a new credit facility of £250m with an effective fixed interest rate of approximately 5%. This credit facility is in two parts. The first part of £150m, repayable in October 2047, has been drawn down. Only £40m of the second part of £100m, repayable in March 2037, has been drawn down with the balance expected to be drawn over the next two years.

19. Deferred capital grants

	Consolidated			University		
	Funding council	Other grants and benefactions	Total	Funding council	Other grants and benefactions	Total
	£m	£m	£m	£m	£m	£m
At 1 August 2007						
Buildings	114.8	51.1	165.9	114.7	51.1	165.8
Equipment	6.7	1.5	8.2	6.7	1.5	8.2
	<u>121.5</u>	<u>52.6</u>	<u>174.1</u>	<u>121.4</u>	<u>52.6</u>	<u>174.0</u>
Cash received						
Buildings	12.4	1.1	13.5	12.4	1.1	13.5
Equipment	-	2.4	2.4	-	2.4	2.4
	<u>12.4</u>	<u>3.5</u>	<u>15.9</u>	<u>12.4</u>	<u>3.5</u>	<u>15.9</u>
Released to income and expenditure accounts						
Buildings	8.3	3.3	11.6	8.2	3.3	11.5
Equipment	2.5	1.9	4.4	2.5	1.9	4.4
	<u>10.8</u>	<u>5.2</u>	<u>16.0</u>	<u>10.7</u>	<u>5.2</u>	<u>15.9</u>
At 31 July 2008						
Buildings	118.9	48.9	167.8	118.9	48.9	167.8
Equipment	4.2	2.0	6.2	4.2	2.0	6.2
Total	<u>123.1</u>	<u>50.9</u>	<u>174.0</u>	<u>123.1</u>	<u>50.9</u>	<u>174.0</u>

Notes to the accounts (continued)

20. Endowments

	Consolidated and University				2008 Total £m	2007 Total £m
	Unrestricted	Restricted	Total	Restricted		
	Permanent £m	Permanent £m	Permanent £m	Expendable £m		
At 1 August 2007						
Capital	1.2	35.3	36.5	6.6	43.1	38.7
Accumulated	0.1	2.5	2.6	0.1	2.7	3.3
	1.3	37.8	39.1	6.7	45.8	42.0
New endowment	0.1	1.4	1.5	0.1	1.6	1.8
Investment income	-	1.1	1.1	0.2	1.3	1.2
Expenditure	-	(1.6)	(1.6)	(0.3)	(1.9)	(1.8)
	-	(0.5)	(0.5)	(0.1)	(0.6)	(0.6)
(Decrease)/increase in market value of investment	-	(0.4)	(0.4)	-	(0.4)	2.6
At 31 July 2008	1.4	38.3	39.7	6.7	46.4	45.8
Represented by:						
Capital	1.3	36.3	37.6	6.7	44.3	43.1
Accumulated income	0.1	2.0	2.1	-	2.1	2.7
	1.4	38.3	39.7	6.7	46.4	45.8

21. Revaluation reserve

	Consolidated		University	
	2008 £m	2007 £m	2008 £m	2007 £m
At 1 August	243.6	233.2	235.4	233.8
Revaluation of properties	2.1	8.9	2.0	1.7
Cumulative depreciation of properties written back	3.4	3.5	3.4	1.9
Revaluation of investments	-	0.1	-	0.1
Transfer to income and expenditure reserve in respect of:				
Depreciation on revalued assets	(2.1)	(2.1)	(2.1)	(2.1)
At 31 July	247.0	243.6	238.7	235.4

Notes to the accounts (continued)

22. Movement on reserves

Income and expenditure reserve	Consolidated		University	
	2008 £m	2007 £m	2008 £m	2007 £m
At 1 August	97.2	88.9	96.6	89.0
Surplus for year retained within reserve	6.1	5.5	6.2	4.8
Add back pension deficit	1.2	0.7	1.2	0.7
Transfer to income and expenditure reserve in respect of:				
Depreciation on revalued assets	2.1	2.1	2.1	2.1
At 31 July	106.6	97.2	106.1	96.6

Pension reserve

	Consolidated and University	
	2008 £m	2007 £m
At 1 August	(30.0)	(23.0)
Deficit for year retained within reserve	(1.2)	(0.7)
Actuarial losses	(4.6)	(6.3)
At 31 July	(35.8)	(30.0)

23. Capital commitments

	Consolidated and University	
	2008 £m	2007 £m
Commitments contracted at 31 July	22.1	31.6

24. Reconciliation of consolidated operating surplus to net cash from operating activities

	2007/2008	2006/2007
	£m	£m
Surplus after depreciation of assets at valuation	5.5	4.9
Depreciation (Note 10)	27.2	24.1
Amortisation of intangible assets (Note 11)	0.4	0.3
Deferred capital grants released to income (Note 19)	(16.0)	(14.8)
Investment income (Note 5)	(7.5)	(2.5)
Interest payable (Note 8)	8.1	4.5
Increase in stocks	(0.1)	-
Decrease/(Increase) in debtors	1.8	(1.6)
Increase in creditors	5.2	3.2
Translation difference on foreign currency loans (Note 5)	(0.2)	(0.3)
Revaluation of investments	-	0.2
Additional pension costs due to FRS 17	1.2	0.7
Net cash inflow from operating activities	25.6	18.7

Notes to the accounts (continued)

25. Analysis of changes in financing during the year

	Consolidated and University			
	2007/2008		2006/2007	
	£m	£m	£m	£m
Balances at 1 August		76.5		75.3
New loans	206.0		15.0	
Capital repayments	(80.5)		(13.5)	
		125.5		1.5
Unrealised translation difference on foreign currency loans		(0.2)		(0.3)
Balances at 31 July		201.8		76.5

26. Analysis of changes in net debt

	At 1 August 2007	Cash- flows	Translation difference	At 31 July 2008
	£m	£m	£m	£m
Cash at bank and in hand	25.0	114.2	-	139.2
Debts due within one year	(2.3)	2.3	-	-
Debts due after one year	(74.2)	(127.8)	0.2	(201.8)
Total net debt	(51.5)	(11.3)	0.2	(62.6)

27. Returns on investment and servicing of finance

	Consolidated	
	2007/2008	2006/2007
	£m	£m
Income from endowments (Note 20)	1.3	1.2
Other interest received (Note 5)	6.2	1.3
Interest paid (Note 8)	(8.1)	(4.5)
	(0.6)	(2.0)

28. Capital expenditure and financial investment

	Consolidated	
	2007/2008	2006/2007
	£m	£m
Tangible assets acquired (Note 10)	(52.3)	(56.7)
Intangible assets acquired (Note 11)	(0.4)	(0.4)
Net endowment assets acquired (Note 13)	(1.0)	(1.2)
Other investment assets acquired (Note 15)	(0.1)	-
Total fixed and endowment asset investments acquired	(53.8)	(58.3)
Deferred capital grants received (Note 19)	15.9	33.7
Endowments received (Note 20)	1.6	1.8
	(36.3)	(22.8)

Notes to the accounts (continued)

29. Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Bristol Pension and Assurance Scheme (UBPAS). In addition, for some clinical staff, contributions are paid to the National Health Service Pension Scheme (NHSPS).

The total pension costs for the University and its subsidiaries recognised within the consolidated Income and Expenditure account were:

	2007/2008	2006/2007
	£m	£m
Employer's cost for USS	16.0	14.8
Employer's cost for UBPAS	5.9	5.5
Employer's cost for NHSPS	1.3	1.4
Total pension costs (Note 6)	23.2	21.7
Outstanding pension contributions at 31 July	2.0	1.9

The assumptions and other data relevant to the determination of the contribution levels of the schemes are as follows:

	USS	UBPAS
	31 March 2005	31 July 2006
Latest actuarial valuations		
Investment returns per annum	6.2%	5.30%
Salary scale increases per annum	3.9%	3.8%
Pension increases per annum	2.9%	3.0%
Market value of assets at date of last valuation	£21,740m	£131m
Deficit of assets at date of last valuation	£6,568m	£34m
Proportion of members' accrued benefits covered by the actuarial valuation of the assets	77%	79%

USS

The USS is valued 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 USS actuary reviews the progress of the USS scheme.

The contribution rate payable by the University to USS is 14% of pensionable salaries. The actuary to USS has confirmed that it is appropriate to take the pensions costs in the University's accounts to be equal to the actual contributions paid during the year. In particular, the contribution rate recommended following the 2005 valuation has regard to the deficit disclosed, the benefit changes introduced subsequent to the valuation and the need to spread the deficit in a prudent manner over the future working lifetime of current scheme members.

Under the definitions set out in FRS 17, the USS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

NHSPS

The NHSPS is a non-funded occupational scheme backed by the Exchequer, which is restricted to some clinical staff. Under the definitions set out in FRS 17, the NHSPS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

Notes to the accounts (continued)

29. Pension schemes (continued)

UBPAS

The UBPAS is valued 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. The contribution rate payable by the University to UBPAS is 14.26% of pensionable salaries. UBPAS has been accounted for within these financial statements in accordance with FRS 17. The latest full actuarial valuation as at 31 July 2006 was updated to 31 July 2008 by the actuary, using appropriate assumptions agreed by the University. For this purpose the discount rate used is based on the rate of return of an AA rated corporate bond and the investments have been valued at market value.

Demographic assumptions are the same as those adopted for the funding valuation, except in relation to post retirement mortality. As in the 2007 FRS 17 disclosures, the "00 series" year of use tables along with an allowance for future improvements in life expectancy in line with the Medium Cohort projections have been used, subject to an underpin allowance for improvement in mortality rates of at least 1% p.a. for males and 0.5% p.a. for females. The assumptions are that a member who retires at age 65 will live on average for a further 22 years after retirement if they are male and for a further 24 years after retirement if they are female.

Other major assumptions used for this FRS 17 actuarial review were:

	31 July 2008	31 July 2007	31 July 2006
	%	%	%
Rate of increase in employee earnings	4.30	4.05	4.00
Rate of increase in pensions	3.80	3.30	3.00
Discount rate	6.80	5.80	5.30
Inflation rate	3.80	3.30	3.00

The following amounts at 31 July 2008 were measured in accordance with the requirements of FRS 17.

The fund value in UBPAS on 31 July 2008 was based on average bid prices. Previously these were valued at closing market prices but as the difference were not material, no adjustments were made to the fund values in previous years. The expected rate of returns were as suggested by the UBPAS actuaries (net of the costs charged by investment managers). They advocated that the sustainable long-term future return from UK equities is a highly subjective and uncertain assumption. Their current view suggested an assumption of 7.8% for equities. This assumption represented the same margin for equity returns relative to gilt returns

	31 July 2008		31 July 2007		31 July 2006	
	Expected	Fund	Expected	Fund	Expected	Fund
	rate of return	value	rate of return	value	rate of return	value
	%	£m	%	£m	%	£m
Equities	7.80	88.1	8.00	102.2	7.50	89.7
Bonds	4.80	36.4	5.00	33.7	4.50	41.2
Properties	6.80	5.8	6.00	7.0	-	-
Cash	5.80	0.5	6.00	(0.1)	4.75	(0.3)
Total market value of assets		130.8		142.8		130.6
Present value of scheme liabilities		(166.6)		(172.8)		(153.6)
Net FRS 17 scheme deficit – net pension liability		(35.8)		(30.0)		(23.0)

Notes to the accounts (continued)

29. Pension schemes (continued)

	2008	2007
	£m	£m
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	5.9	5.5
Past service cost	-	-
Total operating charge	<u>5.9</u>	<u>5.5</u>

	2008	2007
	£m	£m
Analysis of amount that is credited to other finance income		
Expected return on pension scheme assets	10.1	8.6
Interest on pension scheme liabilities	(10.1)	(8.2)
Net return	<u>-</u>	<u>0.4</u>

	2008	2007
	£m	£m
Analysis of the amount that would be recognised in statement of consolidated total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	(22.7)	3.8
Changes in assumptions underlying the present value of the scheme liabilities	18.1	(10.1)
Actuarial loss recognised in STRGL (Page 15)	<u>(4.6)</u>	<u>(6.3)</u>

	2008	2007
	£m	£m
Movement in deficit during the year		
Deficit in scheme at the beginning of the year	(30.0)	(23.0)
Movement in the year:		
Current service cost	(5.9)	(5.5)
Contributions	4.7	4.4
Past service costs	-	-
	(1.2)	(1.1)
Other finance income	-	0.4
Actuarial loss	(4.6)	(6.3)
Deficit in scheme at the end of the year	<u>(35.8)</u>	<u>(30.0)</u>

	2008	2007
	£m	£m
Analysis of the movement in the present value of the scheme liabilities		
At beginning of the year	172.8	153.6
Current service cost	5.9	5.5
Interest cost	10.1	8.2
Contributions by scheme members	2.2	1.9
Actuarial (gains)/losses	(18.1)	10.1
Benefits paid	(5.8)	(5.1)
Past service cost	-	-
Settlements	(0.5)	(1.4)
At end of year	<u>166.6</u>	<u>172.8</u>

Notes to the accounts (continued)

29. Pension schemes (continued)

	2008	2007
	£m	£m
Analysis of the movement in the fund value of the scheme assets		
At beginning of the year	142.8	130.6
Expected rate of return on scheme assets	10.1	8.6
Actuarial (losses)/gains	(22.7)	3.8
Contributions by the University	5.9	5.5
Benefits paid	(5.8)	(5.1)
Settlements	0.5	(0.6)
At end of year	130.8	142.8

History of experienced gains and losses	2008	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets:					
Amount (£m)	(22.7)	3.8	4.4	13.5	(0.5)
Percentage of scheme assets	17.3%	2.6%	3.4%	11.4%	0.5%
Experience gains and losses on scheme liabilities:					
Amount (£m)	-	(3.0)	0.1	0	(2.3)
Percentage of present value of the scheme liabilities	0.0%	1.7%	0.0%	0.0%	2.1%
Total amount recognised in STRGL:					
Amount (£m)	(4.6)	(6.3)	(3.9)	(3.4)	0.4
Percentage of present value of the scheme liabilities	2.8%	3.6%	2.5%	2.5%	-0.4%

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £19.8m (2007: £15.2m).

The UBPAS assets do not include any of the University's own financial instruments, or any property occupied by the University.

The estimate for the University's contribution to UBPAS for the year to 31 July 2009 is £6.2m.

The actual return on UBPAS assets in the year was £12.2m loss (2007: £11.8m gain).

Notes to the accounts (continued)

30. Access funds and teacher training salaries

	2008	2007
	£m	£m
Access funds		
Funding council grants (including interest earned)	0.3	0.4
Disbursed to students	(0.3)	(0.4)
Balance at 31 July	<u>-</u>	<u>-</u>

Access funds are provided by the Higher Education Funding Council for England and are used to pay supplementary grants to students.

During the year, £1.9m (2006/2007: £1.8m) was provided by the Training and Development Agency for Schools and paid as salaries to trainee teachers. In addition, £0.01m (2006/2007: £0.01m) was received and spent on minority ethnic recruitment. For these fundings, the University acts as a paying agency only and therefore the receipts and payments are excluded from the University's income and expenditure account.

31. Subsidiary undertakings

The University holds ordinary shares in the following companies, all of which have been incorporated in England, and consolidated into the University's accounts.

Company	Class of share	% Holding	Nature of business
Subsidiary undertakings			
Bristol Innovations Limited	Ordinary	100%	Development and commercial exploitation of intellectual property
Oval (717) Limited	Ordinary	100%	Property management, construction and sport centre operator
Park Row Limited	Ordinary	100%	Property and project management
Science Research Foundation Limited	N/a – company limited by guarantee	100%	Promoting of new research companies
University of Bristol Services Limited	Ordinary	100%	Library services and property management

32. Related party transactions

During the year, the University of Bristol made a block grant payment and support services costs of £1.3m (2006/2007: £1.2m) to the University of Bristol Union, which includes a substantial contribution towards the salaries of two senior members of the Union staff. On 31 July 2008, the current account outstanding from the Union was £0.2m (2007: £0.3m). In addition to the provision of services (portering, housekeeping, etc), the University provides the building in which the Union operates.

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