

GOVERNORS, EXECUTIVES AND ADVISERS

Board of Governors

Graham Stow (Chair)
David Dry (Deputy Chair)
Ken Crossland
Bernard Crump
Sharon Gwinneth
John Edwards
Lady Ann Fender
Alan Fernyhough
Martin Fiddler
Professor Christine King
Professor Michael Hughes
Keith Norris
Ita O'Donovan
Nigel Pursey
Keith Ralls
Ann Spears
Alistair Watson

Executive Team

Professor Christine King	Vice-Chancellor
Paul Richards	Deputy Vice-Chancellor
Ken Sproston	University Secretary
Catherine Lynagh	Financial Director (to 31.10.05)

Auditors

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Bankers

Lloyds TSB Plc
5 Market Square
Stafford
ST16 2JL

Solicitors

Martineau Johnson
No 1 Colmore Square
Birmingham
B4 6AA

REPORT OF THE GOVERNORS

The Governors submit their annual report and audited accounts for the year ended 31 July 2005.

Constitution and Activities

The University is a Higher Education Corporation as defined under the Education Reform Act 1988.

The powers of Higher Education Corporations are defined in Section 124 of the Act and include the power to provide higher and further education and to carry out research and publish the results of research as the University thinks fit.

The University was incorporated in November 1988 and on 1 April 1989 all properties, rights and liabilities which had been used and/or held by Staffordshire County Council for the purposes of the University were transferred to the Higher Education Corporation.

The University also enjoys exempt charitable status under the Act.

On 16 June 1992, the Privy Council confirmed its formal approval of a change of name from Staffordshire Polytechnic to Staffordshire University under the terms of the Further and Higher Education Act 1992.

Scope of the Financial Statements

The Financial Statements comprise the consolidated results for the University and its subsidiary undertakings, Staffordshire University Enterprises Limited, Octagon Computer Centre and the Friends of Staffordshire University Charitable Trust. The subsidiaries undertake a range of activities including consultancy work, the operation of recreational activities and property management for a variety of commercial and other organisations. The taxable profits of the subsidiary undertakings are transferred back to the University under a covenant arrangement.

Results for the Year

The University's consolidated income, expenditure and results for the year to 31st July 2005 are as follows:-

	2004/05	2003/04
	£'000	£'000
Income	83,237	80,979
Expenditure	81,470	79,889
Taxation		6
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and taxation	1,767	(140)
Historical Cost Surplus for the Year	2,842	935

The 2004/05 Financial Statements indicate a favourable financial year for the University. The University group made an historical cost surplus of £2.8m compared with a restated surplus of £0.9m in 2003/04. Operating income grew by 2.8% to £83m, whilst year on year operating costs increased by 2.0%. Cash balances increased by £0.6m to a closing figure of £14.0m.

This positive outcome has been achieved by the continuing diversification of the University's resource base and tight control of costs. There has been a small increase in the number of home and EU students enrolled at the University and its partner Colleges in 2004/05. Income from research, consultancy and other related contracts has also seen a slight increase, whilst income from full cost overseas students has increased by over 30%.

In 2004/05, staffing costs, excluding exceptional items, have increased by only 1.4% to £48.6. The continuation of a Managed Severance Scheme, first introduced in 2002/03, and tight controls on staffing budgets during 2004/05 have both contributed to this position.

Capital Investments

£4.2m was invested in capital projects during the year. Much of this was supported by earmarked capital allocations from the Higher Education Funding Council for England to support learning and teaching through the restructuring of teaching facilities and the enhancement and replacement of capital equipment. The University has continued to invest in work which will enable it to meet its obligations under the Disability Discrimination Act, 1995.

Cashflow

The consolidated Cashflow Statement shows cash inflows from operating activities of £4,983,000 (2003/04: £9,296,000). Overall there was a net cash inflow of £605,000 (2003/04: £5,995,000). Payments to acquire and improve fixed assets totalled £4,203,000 (2003/04: £2,848,000) with an inflow of capital grants of £1,996,000 (2003/04: £1,820,000).

Investment Performance

Cash deposits are invested in accordance with the University's Treasury Management Policy. The prime requirement of the policy is to ensure that the capital sum is not at risk, whilst achieving a rate of return commensurate with deposit rates achievable on the London Money Market.

Interest receivable increased to £667,000 in 2004/05, compared to £525,000 in 2003/04. A mixture of slightly higher interest rates and a consistently higher level of cash deposits has contributed to the increase in income from this source. The performance of cash deposits was reviewed during 2004/05 by the Employment and Finance Committee of the Board and was deemed satisfactory by the Committee.

Payment of Creditors

It is the University's policy to obtain the best terms for all business and therefore terms are negotiated individually with suppliers. The University's policy is to abide by the specific payment terms made in those agreements.

Employment of Disabled Persons

Applications by disabled persons for employment and for admission to courses of study or research are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing staff and students becoming disabled every effort is made to ensure that their employment or study with the University continues and that appropriate training and support is arranged. It is the policy of the University that the training, career development and promotion and opportunities to undertake study and research should, as far as possible, be identical for all staff and students.

Governors' Remuneration

Governors receive no remuneration from the University in respect of activities undertaken while acting as Governors.

Governors' Insurance

The University maintains insurance for its Governors in respect of their duties as Governors of the institution.

Graham Stow
Chair of the Board of Governors
14 December 2005

CORPORATE GOVERNANCE

The University is committed to best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003. Its purpose is to assist readers of the Financial Statements to understand how the principles have been applied.

Throughout the year ended 31 July 2005, the University has been in compliance with all the Code provisions set out in Section 1 of the Combined Code of Corporate Governance insofar as they relate to Universities. The University also supports, and is guided by, the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales and Northern Ireland that was reissued by the Committee of University Chairmen (CUC) in November 2004.

In addition the Governing Body has also formally accepted the CUC's Governance Code of Practice and General Principles issued in November 2004. In this connection the Governing body has also agreed the following:

Statement of Primary Responsibilities of the Board of Governors

Section 3(i) of the University's Instrument of Government states that the Board of Governors shall be responsible for:

- (a) the determination of the educational character and mission of the University and for oversight of its activities;
- (b) the effective and efficient use of resources, the solvency of the institution and the Corporation and for safeguarding their assets;
- (c) approving annual estimates of income and expenditure;
- (d) the appointment, grading, assignment, appraisal, suspension, dismissal and determination of the pay and conditions of service of holders of senior posts; and
- (e) setting a framework for the pay and conditions of service of all other staff.

In particular the Board will:

- (a) approve the mission and strategic vision of the institution, long term business plans, key performance indicators (KPI's) and annual budgets, and ensure that these meet the interests of stakeholders.

- (b) appoint the head of the institution as chief executive of the institution and put in place suitable arrangements for monitoring his/her performance;
- (c) ensure the establishment and monitoring systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest;
- (d) monitor institutional performance against plans and approved KPI's, which, where possible and appropriate, be benchmarked against other institutions.

This statement is also available on the University's website.

Summary of the University's Structure of Corporate Governance

The University's Governing Body comprises independent, co-opted, staff and student members appointed under the University's Instrument of Government. The roles of the Chair and the Deputy Chair of the Governing Body are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specially reserved for decision by the Governing Body are set out in the Articles of Government. Under the Financial Memorandum with the Higher Education Funding Council for England, the Governing Body is responsible for the ongoing strategic direction of the University, the approval of major developments and the receipt of regular reports from Executive Officers on the day to day operations of its business and its subsidiary companies. The Governing Body meets four times a year and has five Committees; an Employment and Finance committee, a Nominations and Governance committee, an Audit committee, a Remuneration committee and an Estates committee. All of these committees are formally constituted with terms of reference and comprise mainly independent members of the Governing Body. In addition the Governing Body undertakes a regular review of its own effectiveness.

The Employment and Finance committee recommends to the Governing Body the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It also reviews the University's annual financial statements together with the accounting policies.

The Nominations and Governance committee considers nominations for vacancies in the Governing Body membership and the reappointment of members under the Instrument of Government. It also advises the Governing Body on general governance matters.

The Audit committee is responsible for meeting, at least four times a year, with the External Auditors and Internal Auditors of the University and reviewing their work. The committee approves the Audit Plan and considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitor adherence with the regulatory requirements. Whilst senior executives attend meetings of the Audit committee as necessary, they are not members of the committee, and the committee may meet with the External and Internal Auditors on their own for independent discussions.

The Remuneration committee is responsible for determining the employment, contractual and remuneration arrangements for designated holders of senior posts. It normally reviews the salary levels of senior post holders on an annual basis and met twice during the financial year ended 31 July 2005.

The Estates committee has responsibility for advising the Governing Body on its Estates Strategy and the monitoring of Estates related projects.

The University maintains a Register of Interests of members of the Board of Governors and of senior managers of the University. This may be consulted by arrangement with the University Secretary.

In accordance with the Articles of Government of the University, the University Secretary has been designated Secretary to the Board and in that capacity provides independent advice on matters of governance to all Board members.

Statement of Internal Control

As the Governing Body of Staffordshire University, we have 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 Instrument and Articles of Government 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 principle 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 31st July 2005 and up to the date of approval of the Financial Statements.

As the Governing Body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established.

- We meet four times a year to consider the plans and strategic direction of the University.
- We receive periodic reports from the Chair of the Audit Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas on responsibility, including progress reports on key projects. Risk management is a regular item on the agendas of both the full Board and its Committees.
- We have requested the Audit Committee to provide oversight of the risk management process.
- The Audit Committee receives regular reports from the firm of accountants contracted to provide an internal audit service which includes their independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- A programme of facilitated workshops is held to identify and keep up to date the record of risks facing the organisation.
- A programme of risk awareness training is underway in order to increase awareness at all levels within the organisation.
- A system of key performance and risk indicators has been developed.
- A robust risk prioritisation methodology based on risk ranking has been established.
- An organisation-wide risk register is maintained and annually updated.
- Reports are received from budget holders and project managers on internal control activities.

The University has an internal audit service which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in

September 2004. The internal auditors submit regular reports which include an independent assessment on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Governing Body's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive managers within the University who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their Management Letter and other reports.

Graham Stow
Chair of the Board of Governors
14 December 2005

RESPONSIBILITIES OF THE GOVERNING BODY OF STAFFORDSHIRE UNIVERSITY

In accordance with the Education Reform Act 1988, the Governing Body of Staffordshire University is responsible, inter alia, for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Governing Body is responsible, for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice (SORP), 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 Governing Body of the University, the Governing Body 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 Governing Body has to ensure that:

- suitable accounting policies are selected and applied consistently.
- judgements and estimates are made that are reasonable and prudent.
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. Based on normal business planning and control procedures, the Governing Body has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the University's financial statements.

The Governing Body 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 and funds from other sources.
- safeguard the assets of the University and to prevent and detect fraud.
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:-

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns.
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital and revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board.
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Employment and Finance committee and the Board of Governors.
- clear definitions of the responsibilities of, and the authority delegated to, Faculty Pro Vice-Chancellors/Deans and Directors of Services.
- a professional internal audit team whose annual programme is approved by the Audit Committee.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss and during the year the Audit committee has reviewed the effectiveness of the University's system of internal financial control.

Graham Stow
Chair of the Board of Governors
14 December 2005

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF STAFFORDSHIRE UNIVERSITY

We have audited the Financial Statements on pages 12 to 41, which have been prepared under the historical cost convention as modified by the revaluation of certain assets, and in accordance with the accounting policies set out on pages 12 to 14.

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors 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 Board of Governors, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board of Governors

The University's Board of Governors is responsible for preparing the Financial Statements. Our responsibilities as independent auditors are established by Statute, The Auditing Practices Board, the Higher Education Funding Council for England, and our profession's ethical guidance.

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 on Accounting in Further and Higher Education Institutions. 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 income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the Governors' Report is not consistent with the Financial Statements, if the University 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 explanation we require for our audit.

We read the other information contained in the Board of Governors' Report, including the Corporate Governance statement, and consider the implications for our reports if we became aware of any apparent mis-statements or material inconsistencies with the Financial Statements.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards 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 Board of Governors in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the Institution's

circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanation that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material mis-statement, 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:

- (a) The financial statements give a true and fair view of the state of affairs of the University (and the group) as at 31 July 2005 and of the group's deficit of income over expenditure, recognised gains and losses and cash flow for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions;
- (b) In all material respects, income from the Higher Education Funding Council for England and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2005 have been applied for the purposes for which they were received;
- (c) In all material respects, income during the year ended 31 July 2005 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum (03/54) with the Higher Education Funding Council for England, and the funding agreement with the Teacher Training Agency.

KPMG LLP
Chartered Accountants
Registered Auditor
2 Cornwall Street
Birmingham B3 2DL

Date December 2005

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the Year Ended 31 July 2005

	Note	Year to 31 July 2005 £'000	Year to 31 July 2004 Restated £'000
INCOME			
Funding Council Grants	1	46,301	45,319
Academic Fees and Support Grants	2	21,324	19,622
Research Grants and Contracts	3	2,091	4,625
Other Operating Income	4	12,854	10,888
Endowment Income and Interest Receivable	5	667	525
TOTAL INCOME		83,237	80,979
EXPENDITURE			
Staff Costs	6	48,601	47,951
Depreciation	9,10	3,669	4,150
Other Operating Expenses	7	27,479	25,934
Interest Payable	8	1,721	1,854
TOTAL EXPENDITURE	9	81,470	79,889
SURPLUS FOR THE YEAR BEFORE EXCEPTIONAL ITEMS AND TAXATION		1,767	1,090
EXCEPTIONAL ITEMS	6	-	1,224
SURPLUS/(DEFICIT) FOR THE YEAR AFTER EXCEPTIONAL ITEMS, BUT BEFORE TAXATION		1,767	(134)
TAXATION		-	6
SURPLUS/(DEFICIT) FOR THE YEAR AFTER EXCEPTIONAL ITEMS AND TAXATION	23	1,767	(140)

NOTE OF HISTORICAL COST SURPLUS AND DEFICIT

	Year to 31 July 2005 £'000	Year to 31 July 2004 Restated £'000
Reported surplus/(deficit) on ordinary activities	1,767	(140)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1,075	1,075
HISTORICAL COST SURPLUS ON ORDINARY ACTIVITIES	2,842	935

BALANCE SHEET AS AT 31 JULY 2005

		GROUP Restated		CORPORATION Restated	
	Note	2005 £'000	2004 £'000	2005 £'000	2004 £'000
FIXED ASSETS					
Tangible Assets	10	91,877	91,575	84,116	83,589
Investments	11	33	33	33	33
		91,910	91,608	84,149	83,622
ENDOWMENT ASSET INVESTMENTS	12	294	295	294	295
CURRENT ASSETS					
Stocks	13	153	160	153	160
Debtors: Amounts falling due after more than one year	14	596	632	3,507	3,733
Debtors: Amounts falling due within one year	15	6,746	5,120	8,574	6,925
Pension Scheme prepayment	16	1,453	1,374	1,453	1,374
Cash at bank and in hand		14,040	13,435	13,983	13,394
		22,988	20,721	27,670	25,586
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	14,872	14,740	15,174	15,065
NET CURRENT ASSETS		8,116	5,981	12,496	10,521
TOTAL ASSETS LESS CURRENT LIABILITIES		100,320	97,884	96,939	94,438
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	20,755	22,770	23,666	25,871
PROVISIONS FOR LIABILITIES AND CHARGES	19	11,654	10,906	11,654	10,906
TOTAL ASSETS LESS LIABILITIES		67,911	64,208	61,619	57,661

BALANCE SHEET - continued

	Note	GROUP Restated		CORPORATION Restated	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
Represented by:					
DEFERRED CAPITAL GRANTS ENDOWMENTS	20	13,809	12,138	13,809	12,138
Specific	21	294	295	294	295
RESERVES					
Capital Reserve	22	42,415	43,224	42,415	43,224
Income and Expenditure Account	23	11,393	8,551	5,101	2,004
		53,808	51,775	47,516	45,228
TOTAL FUNDS		67,911	64,208	61,619	57,661

The consolidated accounts of the Group include the University's wholly owned subsidiaries and the Friends of Staffordshire University Charitable Trust. The accounts of the Corporation relate solely to the Higher Education Corporation.

The financial statements on pages 9 to 40 were approved by the Board of Governors on 14 December 2005 and signed by:

Graham Stow
Chair of the Board of Governors

Professor Christine King
Vice-Chancellor

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year to 31 July 2005 £'000	Year to 31 July 2004 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	4,983	9,296
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from short term investments		667	525
Interest Paid		(1,688)	(1,834)
HEFCE reimbursement of interest paid		234	285
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(787)	(1,024)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(4,203)	(2,848)
Receipts from sales of tangible fixed assets		9	4
Deferred capital grants received		1,996	1,820
HEFCE reimbursement of principal repayments		266	330
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(1,932)	(694)
TAXATION		(7)	(6)
NET CASH INFLOW AFTER TAXATION, BUT BEFORE FINANCING		2,257	7,572
FINANCING			
New loans acquired	26	-	-
Repayment of loans	26	(1,647)	(1,560)
Capital element of finance lease repayments	26	(5)	(17)
NET CASH OUTFLOW FROM FINANCING		(1,652)	(1,577)
INCREASE IN CASH FOR THE YEAR	27,28	605	5,995

CONSOLIDATED CASH FLOW STATEMENT - continued

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 29)

	Year to 31 July 2005 £'000	Year to 31 July 2004 £'000
Increase in cash in year	605	5,995
Repayment of debt	1,652	1,577
Movement arising from cash flows	2,257	7,572
CHANGE IN NET DEBT	(10,336)	(17,908)
NET DEBT AT 1 AUGUST 2004		
NET DEBT AT 31 JULY 2005	(8,079)	(10,336)

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

	Year to 31 July 2005 £'000	Year to 31 July 2004 Restated £'000
Surplus/(Deficit) for the year	1,767	(140)
Endowment income received	-	-
Reimbursement of inherited debt	266	330
Prior year adjustment to enhanced pension provision (note 19)	(1,149)	-
TOTAL GAINS/(LOSSES) RECOGNISED SINCE LAST ANNUAL REPORT	884	190

STATEMENT OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATION TECHNIQUES

The accounting policies that the group has adopted to determine the amounts included in respect of material items in the financial statements are shown below and are in accordance with applicable accounting standards and the Statement of Recommended Practice, Accounting for Further and Higher Education Institutions.

BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis, as modified by the revaluation of some assets.

BASIS OF CONSOLIDATION

The financial statements of the University include its wholly owned subsidiaries, Staffordshire University Enterprises Ltd and Octagon Computer Centre Ltd. They also include the Friends of Staffordshire University Charitable Trust.

The consolidated financial statements do not include those of Staffordshire University Union of Students as it is a separately managed organisation. The audited financial statements of the Union of Students are shown in summary form in note 33 of the accounts.

HEFCE GRANTS

Recurrent grant from HEFCE represents the funding allocation which is attributable to the current accounting period.

Deferred credits in respect of grants received from HEFCE which are attributable to subsequent accounting periods are included in accruals and deferred income.

CAPITAL RESERVE

Capital reserve represents the difference between the valuation of tangible assets inherited from Staffordshire County Council and the loan account with the County Council. This amount is released to the Income and Expenditure account over the life of the assets.

ACADEMIC FEES

Academic fees represent student fees received and receivable attributable to the current accounting period.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or valuation less accumulated depreciation as shown in note 10 to the financial statements.

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

DEPRECIATION

Depreciation is not provided on freehold land. Freehold buildings have been depreciated over the estimated remaining useful life of each building with a base date of 1 April 1989. Depreciation on newly acquired buildings is provided for at the rate of 2% per annum on a straight line basis.

On all other tangible fixed assets depreciation is provided to write off the cost or valuation over their useful lives on a straight line basis at the following annual rates :-

Plant and Machinery	20% per annum
Fixtures and Fittings	20% per annum
Computer Equipment (general)	33.3% per annum
Computer Equipment (servers)	20% per annum
Office Furniture and Equipment	20% per annum

Expenditure which extends the useful life of an asset has been depreciated over the assessed extended life of the asset.

Assets held under finance leases are depreciated over the life of the lease if this is a shorter period. Equipment costing less than £10,000 is written off in the year of acquisition.

LEASED ASSETS

Payments made in respect of assets held under operating leases are charged to the income and expenditure account on a straight line basis over the term of the lease.

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 to the income and expenditure account.

CAPITAL GRANTS

Grants applied to acquire tangible fixed assets are credited to deferred grants and released to the income and expenditure account over the estimated useful lives of the related assets.

STOCK

Stock is valued at the lower of cost and net realisable value.

TAXATION

The Corporation is an exempt charity and is exempt from Income Tax and Corporation Tax. Irrecoverable Value Added Tax is included in the financial statements with the expenditure to which it relates.

FRS 19 DEFERRED TAXATION

FRS 19 requires full provision to be made for deferred tax assets or liabilities arising from timing differences between recognition in the financial statements and in the tax computation.

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

INVESTMENTS

Fixed asset investments are stated at market value. Endowment asset investments include fixed interest stocks which are stated at historical cost.

PENSION COSTS

Contributions to the defined benefit pension schemes are charged to the income and expenditure account so as to spread the cost of pensions evenly over employees' expected average service lives. The pension cost is assessed in accordance with the advice of actuaries.

REPAIRS AND MAINTENANCE

The University has a five year rolling maintenance plan which is reviewed on an annual basis. The cost of maintenance is charged to the income and expenditure account as incurred.

NOTES TO THE FINANCIAL STATEMENTS

	Year to 31 July 2005 £'000	Year to 31 July 2004 Restated £'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant		
HEFCE	41,306	40,922
LSC	145	23
TTA	159	93
Research and Selective Initiatives	3,612	3,203
HEFCE Reimbursement of Inherited Liabilities	248	281
Release of Capital Grants		
Buildings	109	207
Equipment	722	590
	46,301	45,319
2. ACADEMIC FEES AND SUPPORT GRANTS		
Full-Time Students -UK/EU	9,862	10,010
Full-Time Students - Overseas	4,002	3,038
Part-Time Fees	1,562	1,229
Education Contracts	5,429	4,567
Short Course Fees	469	778
	21,324	19,622
3. RESEARCH GRANTS AND CONTRACTS		
Research Councils	243	250
UK Based Charities	136	163
UK Industry and Commerce	314	695
UK Central Government/Health Authorities	1,089	1,442
European Community Programmes	309	866
Other Research Grants and Contracts	-	1,209
	2,091	4,625
4. OTHER OPERATING INCOME		
Residences, Catering and Conferences	5,133	4,964
Consultancy/Self Financing Fees	4,976	3,423
Other Rents/Lettings	536	397
Release from deferred capital grants (non-funding council)	160	442
Other Income	2,049	1,662
	12,854	10,888

NOTES TO THE FINANCIAL STATEMENTS - continued

	Year to 31 July 2005 £'000	Year to 31 July 2004 £'000
5. ENDOWMENT INCOME AND INTEREST RECEIVABLE		
Investment Income	666	524
Endowment Income (Note 12)	1	1
	667	525

	31 July 2005 Total £'000	31 July 2004 Restated Total £'000
6. STAFF		
Staff Costs		
Wages	39,650	39,484
Social Security Costs	3,045	3,052
Other Pension Costs	5,805	5,828
Redundancy/Managed Severance Scheme	101	811
	48,601	49,175

	Year to 31 July 2005 £'000	Year to 31 July 2004 £'000
Emoluments of the Vice-Chancellor		
Salary costs	146	135
Benefits in kind	3	2
Employers Pension Contributions	20	17
	169	154

The salary and benefits of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to the Teachers' Superannuation Scheme are paid at the same rate as for other academic staff and amounted to £19,710 (2004: £16,777)

	2005 Number	2004 Number
Average Staff Numbers by Major Category		
Management	51	51
Academic	585	588
Administrative, Professional, Technical and Clerical Staff	823	817
Manual Staff	189	185
	1,648	1,641
Remuneration of other higher paid staff, excluding employer's pension contributions		
£70,000 - £79,999	2	3
£80,000 - £89,999	2	-
£90,000 - £99,999	1	-
	5	3

Higher paid staff numbers include four members of staff employed on a full-time basis with the University and one member, who is employed on a joint appointment arrangement.

A general pay award of 3% was made with effect from 1st August 2004 approved by the corporation.

NOTES TO THE FINANCIAL STATEMENTS – continued

	Year to 31 July 2005	Year to 31 July 2004
	£'000	£'000
7. OTHER OPERATING EXPENSES		
Consumables	1,607	1,881
Equipment and Tools	2,669	3,155
Operating Leases	1,396	2,116
Books and Periodicals	981	983
Printing - External and Internal	410	537
Protective Clothing/Laundry/Uniforms	67	51
Repairs and General Maintenance	1,774	1,345
Heat, Light, Water and Power	1,289	1,178
Rent and Rates	513	496
Staff and Student Development	1,515	1,180
Travel and Subsistence	1,223	1,285
Student Union Contributions	500	488
Auditors' Remuneration (Corporation)	34	32
Auditors' Remuneration (Subsidiaries)	9	7
Auditors' Remuneration in Respect of Non-Audit Services	79	42
Irrecoverable VAT Input Tax	1,982	1,841
Payments to Franchise Colleges	3,918	3,697
Telephones and Postages	862	675
Insurance	368	437
Publicity and Prospectus	1,227	893
Examinations/Awards Day	251	224
Subscriptions	280	229
Vehicle Hire/Lease	89	107
Other Expenses	325	861
Professional Charges	770	322
Consultancy	2,209	1,076
Legal Charges	401	228
Payment to International Partners	114	96
Security	337	315
Movement in Provision for Bad/Doubtful Debts	280	157
	27,479	25,934
8. INTEREST PAYABLE		
Loan not wholly repayable within five years	1,720	1,853
Finance Leases	1	1
	1,721	1,854

NOTES TO THE FINANCIAL STATEMENTS - continued

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £'000	Dep'n £'000	Other Operating Expenses £'000	Interest Payable £'000	Total £'000
Academic Departments	27,227	1,843	9,348	-	38,418
Academic Services	5,191	693	2,105	-	7,989
Research Grants & Contracts	724	-	1,007	-	1,731
Residences, Catering & Conferences	1,386	628	1,769	850	4,633
Premises	1,882	102	3,060	-	5,044
Administration	6,475	403	5,095	-	11,973
Other Expenses	5,716	-	5,095	871	11,682
Total Income and Expenditure Account	48,601	3,669	27,479	1,721	81,470

The depreciation has been funded by:	£'000
Deferred Capital Grants Released (note 20)	991
Transfer from Capital Reserve (note 22)	1,075
General Income	1,603
	<u>3,669</u>

10. TANGIBLE FIXED ASSETS - Group

	Freehold Land and Buildings £'000	Assets in Course of Construction £'000	Computer Equipment £'000	Leased Computer Equipment £'000	Other Equipment And Fittings £'000	Leased Equipment and Fittings £'000	TOTAL £'000
COST OR VALUATION							
At 1 August 2004	113,664	1,055	7,764	351	5,527	808	129,169
Additions	2,598	783	538	-	284	-	4,203
Reclassifications	1,037	(1,037)	23	-	(23)	-	-
Disposals	(320)	-	(439)	-	(239)	-	(998)
At 31 July 2005	116,979	801	7,886	351	5,549	808	132,374
DEPRECIATION							
At 1 August 2004	26,794	-	6,303	347	3,405	745	37,594
Depreciation for year	2,276	-	652	4	677	60	3,669
Elimination on disposals	(127)	-	(439)	-	(200)	-	(766)
At 31 July 2005	28,943	-	6,516	351	3,882	805	40,497
Net Book Value At 31 July 2005	88,036	801	1,370	-	1,667	3	91,877
Net Book Value At 31 July 2004	86,870	1,055	1,461	4	2,122	63	91,575

NOTES TO THE FINANCIAL STATEMENTS - continued

10. TANGIBLE FIXED ASSETS - Corporation

	Freehold Land and Buildings £'000	Assets in Course of Construction £'000	Computer Equipment £'000	Leased Computer Equipment £'000	Other Equipment And Fittings £'000	Leased Equipment and Fittings £'000	TOTAL £'000
COST OR VALUATION							
At 1 August 2004	103,629	1,055	7,764	351	5,342	808	118,949
Additions	2,597	783	538	-	282	-	4,200
Reclassifications	1,037	(1,037)	23	-	(23)	-	0
Disposals	(320)	-	(439)	-	(237)	-	(996)
At 31 July 2005	106,943	801	7,886	351	5,364	808	122,153
DEPRECIATION							
At 1 August 2004	24,687	-	6,303	347	3,278	745	35,360
Depreciation for year	2,078	-	652	4	648	60	3,442
Elimination on disposals	(127)	-	(439)	-	(199)	-	(765)
At 31 July 2005	26,638	-	6,516	351	3,727	805	38,037
Net Book Value At 31 July 2005	80,305	801	1,370	-	1,637	3	84,116
Net Book Value At 31 July 2004	78,942	1,055	1,461	4	2,064	63	83,589

As a result of the Education Reform Act 1988, the freehold and leasehold interests in properties occupied by the Corporation, previously held by Staffordshire County Council, were formally transferred, under the direction of the Education Assets Board, to the Corporation itself with effect from 1 April 1989.

Freehold buildings, to which the Corporation now has title, were professionally revalued at 1 April 1989 on the basis of replacement cost at that date. The surplus was taken to the capital reserve. Freehold land was revalued on an open market, existing use basis at the same date.

Computer equipment, other equipment and fittings belonging to the University were revalued at 31 July 1995.

The transitional rules set out in FRS 15 "Tangible Fixed Asset" have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

In December 1996 the University entered into a joint venture agreement with Tamworth and Lichfield College to provide a new campus facility at Lichfield. The cost of this project was £3.2m. The project was partly funded by a grant from the European Regional Development Fund and by a loan facility taken out by the University. Responsibility for the loan is shared jointly by the University and the College and the value of the College's commitment is shown as a long term debtor in the University's Balance Sheet (see note 14).

During 2002/03 the University and the College entered into an agreement for the development of a second phase at the Lichfield campus. This phase was partly funded by a loan facility taken out by the College. Responsibility for the loan is shared jointly by the University and the College and the value of the University's commitment is shown as a long term creditor in the University's Balance Sheet (see note 18).

NOTES TO THE FINANCIAL STATEMENTS - continued

11. FIXED ASSET INVESTMENTS

	GROUP		CORPORATION	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Investments	33	33	33	33

The University has a £33,000 investment in CVCP Properties.

The investments in subsidiaries, which cost £4, are detailed below:

Professor M A Hughes and Professor C E King as nominees of the Corporation hold all the issued share capital of Staffordshire University Enterprises Limited, a company incorporated in and operating in Great Britain and registered in England and Wales. The main areas of activity of Staffordshire University Enterprises Limited are the undertaking of consultancy work and the operation of recreational activities.

Professor M A Hughes and Professor C E King as nominees of the Corporation also hold all the issued share capital of Octagon Computer Centre Limited, a company incorporated in and operating in Great Britain and registered in England and Wales. The principal activity of the company is to act as a property management company.

The Friends of Staffordshire University Charitable Trust is regarded as a quasi-subsiidiary of the University under the definition provided in Financial Reporting Standard 5. Under the provisions of this standard the accounts of the Trust have been consolidated in the group accounts of the University for the year ended 31 July 2004.

12. ENDOWMENT ASSET INVESTMENTS

	GROUP AND CORPORATION	
	2005	2004
	£'000	£'000
Balance at 1 August 2004	295	104
Additions	-	192
Interest Received	1	1
Prize Fund payments	(2)	(2)
Balance at 31 July 2005	294	295
Represented by:	2005	2004
	£'000	£'000
Thornhill Bequest	192	192
Fixed interest stocks	7	7
Bank balances	95	96
	294	295

All fixed interest stocks are listed investments and are stated at historical cost.

The value of the Thornhill Bequest, a collection of medieval Chinese pottery owned by the University, is included as an endowment investment. This was previously shown as a fixed asset investment in 2002/03. The value is based on a valuation made for insurance purposes as at 5th February 1998. The valuation was undertaken by professional advisors expert in this field.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. STOCK

GROUP AND CORPORATION

	2005 £'000	2004 £'000
Raw materials and consumables	153	160

14. DEBTORS: Amounts falling due after more than one year

	GROUP		CORPORATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts owed by subsidiary undertaking	-	-	2,911	3,101
Amounts owed under joint arrangement with Tamworth and Lichfield College Phase 1	596	632	596	632
	596	632	3,507	3,733

15. DEBTORS: Amounts falling due within one year

	GROUP		CORPORATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	3,076	2,418	3,072	2,395
Amounts owed by subsidiary undertakings	-	-	1,863	1,853
Other debtors	1,502	849	1,473	824
Prepayments and accrued income	2,168	1,853	2,166	1,853
	6,746	5,120	8,574	6,925

16. PENSION SCHEME PREPAYMENT

The assessed value of the variation from the regular cost of the University's contributions to the Staffordshire County Council Superannuation Scheme has been isolated from the regular cost. The additional cost of £1,453,000 (2004: £1,374,000) gives rise to a prepayment. This prepayment will be charged to the Income and Expenditure account over a period which matches the benefit derived from the services of University employees.

NOTES TO THE FINANCIAL STATEMENTS - continued

17. CREDITORS: Amounts falling due within one year:

	GROUP		CORPORATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Loans	1,980	1,648	2,170	1,838
Obligations under finance leases	4	5	4	5
Trade creditors	3,786	2,783	3,786	2,763
Amounts owed to subsidiary undertakings	-	-	141	183
Other taxation and social security	1,713	1,662	1,692	1,640
Other creditors	890	1,004	890	1,004
Accruals and deferred income	6,499	7,638	6,491	7,632
	14,872	14,740	15,174	15,065

18. CREDITORS: Amounts falling due after more than one year:

	GROUP		CORPORATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank loan account	16,182	17,330	16,182	17,330
Staffordshire County Council loan account	3,604	3,874	3,604	3,874
Building Society Mortgage	349	910	349	910
Obligations under finance leases	-	4	-	4
Tamworth & Lichfield College Phase 2	620	652	620	652
Amounts owed to subsidiary company	-	-	2,911	3,101
	20,755	22,770	23,666	25,871

LOAN OBLIGATIONS

	GROUP		CORPORATION	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Between one and two years	1,909	1,980	2,099	2,170
Between two and five years	4,133	6,310	4,703	6,880
Over five years	14,093	13,824	16,244	16,165
	20,135	22,114	23,046	25,215
Within one year	1,980	1,648	2,170	1,838
	22,115	23,762	25,216	27,053

NOTES TO THE FINANCIAL STATEMENTS - continued

The table below provides details of the University's bank loans

Original Loan £'000	Outstanding Balance at 31 July 2005 £'000	Interest Basis	Repayment Terms	Security
3,000	1,777	8.7% fixed until January 2008	Equal principal repayments over 20 years starting in December 1992.	University academic accommodation at the Stoke and Stafford campuses.
2,000	1,238	8.5% fixed until January 2009	Equal principal repayments over 20 years starting in January 1994	University academic accommodation at the Stoke and Stafford campuses.
3,200	2,193	8.0% fixed until July 2010	Equal principal repayments over 19 years starting in July 1995	University academic accommodation at the Stoke campus.
3,600	2,964	6.4% fixed until April 2011	Equal principal repayments over 15 years starting from October 2001	University student residential accommodation at the Stafford campus.
1,900	508	8.3% fixed until August 2007	Equal principal repayments over 10 years starting from August 1997.	University academic accommodation at the Stafford Campus.
1,600	1,257	5.8% fixed until October 2008	Equal principal repayments over 20 years starting from August 1998.	University academic accommodation at the Lichfield Campus owned jointly with Tamworth and Lichfield College.
3,900	3,900	7.5% fixed until August 2005	Interest only for 5 years starting from August 2000. Equal principal repayments for 15 years starting August 2005.	University student residential accommodation at the Stafford campus.
3,500	3,500	7.2% fixed until October 2005	Interest only for 5 years starting from August 2000. Equal principal repayments for 15 years starting October 2005.	University student residential accommodation at the Stoke campus.

The Staffordshire County Council loan account comprises numerous, unsecured loans repayable between one and forty years. All loans bear interest at the current rate on the County Council's Consolidated Loans Fund. At 31 July 2005 the current interest rate was 6.2%.

The Building Society Mortgage is repayable over 15 years. The mortgage will be fully repaid in December 2006. The University is paying interest at a rate of 9.6% fixed up to the final repayment. The mortgage is secured on student residential accommodation with a total open market valuation of £5.5m as at January 1997.

NOTES TO THE FINANCIAL STATEMENTS - continued

19. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP AND CORPORATION

	Pension Enhancement £'000	Onerous Contracts £'000	Legal Costs £'000	2005 Total £'000	2004 Total Restated £'000
At 1 August 2004	10,138	768	-	10,906	8,155
Prior year adjustment	-	-	-	-	1,149
Utilised in the year	(520)	(179)	-	(699)	(548)
Charge to Income and Expenditure Acct	1,247	-	200	1,447	2,150
At 31 July 2005	10,865	589	200	11,654	10,906

The prior year adjustment is the result of the University reviewing and updating the actuarial factor rates and net interest rates used to calculate the provision for enhanced pensions. The overall effect of the amendments is an increase of £2,647k in the provision held as at 31st July 2005. £738k relates to 2004/05, £760k to 2003/04 and the balance of £1149k, to prior years. (See notes 19 and 23).

20. DEFERRED CAPITAL GRANTS

GROUP AND CORPORATION

	Buildings £'000	Equipment £'000	2005 Total £'000	2004 Total £'000
At 1 August 2004	9,453	2,685	12,138	11,557
Add cash received/receivable	1,559	1,103	2,662	1,820
Released to Income and Expenditure	(269)	(722)	(991)	(1,239)
At 31 July 2005	10,743	3,066	13,809	12,138

21. ENDOWMENTS RESERVE

GROUP AND CORPORATION

	2005 Specific £'000	2004 Specific £'000
At 1 August 2004	295	104
Thornhill Bequest reclassification	-	192
Net Income for year	(1)	(1)
At 31 July 2005	294	295

NOTES TO THE FINANCIAL STATEMENTS - continued

22. CAPITAL RESERVE

GROUP AND CORPORATION

	2005 £'000	2004 £'000
At 1 August 2004	43,224	43,969
Add HEFCE reimbursement of loan repayments	266	330
Less Release of capital reserve (note 9)	(1,075)	(1,075)
At 31 July 2005	42,415	43,224

23. INCOME AND EXPENDITURE ACCOUNT

	2005 £'000	2004 Restated £'000
GROUP		
As at 1 August 2004	8,551	8,765
Prior year adjustment (Note 19)	-	(1,149)
Surplus/(Deficit)	1,767	(140)
Transfer from capital reserve	1,075	1,075
At 31 July 2005	11,393	8,551
CORPORATION		
At 1 August 2004	2,004	2,049
Prior year adjustment (Note 19)	-	(1,149)
Surplus for the year	2,022	29
Transfer from capital reserve	1,075	1,075
At 31 July 2005	5,101	2,004

NOTES TO THE FINANCIAL STATEMENTS - continued

24. LEASE OBLIGATIONS

GROUP AND CORPORATION

	2005 £'000	2004 £'000
Obligations under finance leases fall due as follows:		
Within one year	4	5
Between one and two years	-	4
Between two and five years	-	-
	4	9

Annual commitments on operating leases in respect of assets other than land and buildings on leases expiring as follows are:

	2005 £'000	2004 £'000
Within one year	408	206
Between two and five years	774	364
	1,182	570

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

25. NET CASH FLOW FROM OPERATING ACTIVITIES

	Year to 31 July 2005	Year to 31 July 2004 Restated
	£'000	£'000
Surplus/(Deficit) for the year before taxation and transfers from reserves	1,767	(134)
Interest Receivable	(667)	(525)
HEFCE Reimbursement Receivable	(248)	(281)
	<hr/> 852	<hr/> (940)
Add back interest payable	1,721	1,854
Surplus from operating activities	2,573	914
Release of capital grant	(991)	(1,239)
Depreciation	3,669	4,150
Loss on sale of fixed assets	223	10
Decrease/(Increase) in stock	7	(16)
(Increase)/Decrease in debtors	(1,655)	431
Decrease/(Increase) in creditors	(257)	3,444
Decrease/(Increase) in provisions	1,414	1,602
	<hr/> 4,983	<hr/> 9,296

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Building Society Mortgage	LEA Loan Account	Finance Leases	Bank Loans
	£'000	£'000	£'000	£'000
Balance at 1 August 2004	1,417	4,140	9	18,205
Cash outflows from financing	<hr/> (513)	<hr/> (266)	<hr/> (5)	<hr/> (868)
Balance at 31 July 2005	<hr/> 904	<hr/> 3,874	<hr/> 4	<hr/> 17,337

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT - continued

27. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	£'000
Balance at 1 August 2004	13,435
Net cash inflow	605
Balance at 31 July 2005	14,040

28. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2005 £'000	2004 £'000	2005 Change in Year £'000	2004 £'000	2003 £'000	2004 Change In Year £'000
Cash at bank and in hand	14,040	13,435	605	13,435	7,440	5,995

29. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Year Ended 31 July 2005 £'000	Year Ended 31 July 2004 £'000
Increase in cash in year	605	5,995
Repayment of debt	1,652	1,577
New loans	-	-
Movement arising from cash flows	2,257	7,572
New finance lease	-	-
CHANGE IN NET DEBT	2,257	7,572
NET DEBT AT 1 AUGUST 2004	(10,336)	(17,908)
NET DEBT AT 31 JULY 2005	(8,079)	(10,336)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT - continued

ANALYSIS OF CHANGES IN NET DEBT

	August 2004	Cash Flows 2005	Other Movements	July 2005
	£'000	£'000	£'000	£'000
Cash in hand, at bank	13,435	605	-	14,040
Debt due within 1 year	(1,648)	1,648	(1,980)	(1,980)
Debt due after 1 year	(22,114)	(1)	1,980	(20,135)
Finance Leases	(9)	5	-	(4)
	(10,336)	2,257	-	(8,079)

30. CAPITAL COMMITMENTS

GROUP AND CORPORATION

	2005 £'000	2004 £'000
Contracted for	5,593	2,220

NOTES TO THE FINANCIAL STATEMENTS – continued

31. CONTINGENT LIABILITIES

The University is a member of UMALT, a company limited by guarantee formed to provide a mutual association for terrorism risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their prorated share, spread using a bank facility over 7 years. The University is a guarantor, on a joint and several basis with other members, of this £60 million bank facility. No liability has yet arisen under this guarantee.

32. PENSION COSTS

Retirement benefits for employees of the University are provided by defined benefit schemes which are funded by contributions from the University and employees. Payments are made to the Teachers Superannuation Scheme for academic staff and to the Staffordshire County Council Superannuation Scheme for non-academic staff. These are both independently administered schemes.

Teachers' Pension Scheme

The Teachers Pension Scheme (TPS) is an unfunded scheme. Contributions on a 'pay as you go' basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

Under the definitions set out in Financial Reporting Standard 17 Retirement Benefits, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The University has set out below the information available on the deficit in the scheme and the implications for the University in terms of the anticipated contribution rates.

The pensions cost is assessed every five years in accordance with the advice of the government. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2001
Actuarial method	Prospective benefits
Notional Investment returns per annum.	7.0% per annum
Salary scale increases per annum	5.0% per annum
Market value of notional assets at date of last valuation.	£102,010 million
Proportion of members' accrued benefits covered by the actuarial value of the assets.	100%

NOTES TO THE FINANCIAL STATEMENTS – continued

Following the implementation of Teachers' Pensions (Employers' Supplementary contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the period from 1 April 2002 to 31 March 2003 the employer contribution was 8.35%. This rate increased to 13.5% from 1 April 2003.

Local Government Pension Scheme

The Local Government Superannuation Scheme (LGSS) is regulated by statute, with separate regulations for (a) England and Wales and (b) Scotland. The benefits of the LGSS are determined nationally by regulation and meet the definition of a defined benefit scheme.

The LGSS is a funded scheme, with some 100 separate funds administered locally by administering authorities. Each fund has a number of employing authorities. Staffordshire County Council is the administering authority with the District Councils in the County being employing authorities within that scheme. Each fund will also have admitted bodies, such as education institutions, whose employees are members of the LGSS. The LGSS is not therefore a national multi-employer scheme, but each separate LGSS fund is a multi-employer scheme.

The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2004, with the next formal valuation due as at 31 March 2007. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Valuation Date	31 st March 2004 Unsmoothed		31 st March 2001 Smoothed	
	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real
Investment Returns	6.50%	3.60%	6.00%	3.20%
Pay Increases	4.40%	1.50%	4.30%	1.50%
Price Inflation/Pension Increases	2.90%	-	2.80%	-
Market Value of Assets (excluding defined contribution AVC funds)	£1,506m		£1,515m	
Actuarial Method	Projected Unit Method		Projected Unit Method	
Proportion of members' accrued benefits covered by the actuarial value of assets	100%		100%	

Notes:

The figures marked "real" are net of assumed price inflation.

The "smoothed" returns are calculated as being the average investment returns in the 12 months leading up to the relevant valuation date.

NOTES TO THE FINANCIAL STATEMENTS – continued

A valuation of the Fund's liabilities as at 31 July 2005 has been undertaken by the Fund's actuary. The following valuation data has been used for the purposes of this disclosure.

- The individual membership data submitted as at 31 March 2004 for the purpose of the formal funding valuation at that date;
- The individual pensioner data in respect of unfunded pensions, including teachers' pensions as at 31 July 2005, where appropriate.
- The latest numbers of employees, deferred pensioners and pensioners as at 31 July 2005;
- Employer and employee contributions up to 31 July 2005;
- Actual Fund returns from 30 June 2004 up to 30 June 2005; and
- Any new early retirements from 1 August 2004 to the latest available date of 31 July 2005 on unreduced pensions which are not anticipated in the normal employer service cost (e.g. non ill-health retirements before the earliest of the employee's Rule of 85 retirement age (minimum of 60) or normal retirement age, which are not reduced).

FRS 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2004, updated to 31 July 2005 by a qualified independent actuary.

	At 31 July 2005	At 31 July 2004	At 31 July 2003
Inflation	2.8%	2.9%	2.6%
Rate of increase in salaries	4.3%	4.4%	4.1%
Rate of increase for pensions	2.8%	2.9%	2.6%
Discount rate for liabilities	5.0%	5.8%	5.5%

NOTES TO THE FINANCIAL STATEMENTS – continued

The assets in the scheme (of which the Group's share is estimated at 2.77%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2005	Value at 31 July 2005 £'000	Long-term rate of return expected at 31 July 2004	Value at 31 July 2004 £'000	Long-term rate of return expected at 31 July 2003	Value at 31 July 2003 £'000
Equities	7.3%	1,396,800	7.9%	1,072,000	8.0%	1,021,300
Bonds	4.7%	212,900	5.4%	192,000	5.0%	191,100
Property	5.4%	137,700	6.7%	142,000	6.0%	132,200
Cash	4.5%	53,000	4.5%	55,000	3.5%	9,300
Total Market Value of Assets		1,800,400		1,461,000		1,353,900

	Year Ended 31 July 2005 £'000	Year Ended 31 July 2004 £'000	Year Ended 31 July 2003 £'000
Group's estimated asset share	52,875	42,444	37,500
Present value of scheme liabilities	(83,407)	(71,617)	(65,160)
Deficit in the scheme	(30,532)	(29,173)	(27,660)

Under the transitional arrangements of FRS 17, no provision has been made by the Group for the Institution's share of the deficit of the scheme. If provision were made, the following entries would be made:

Balance Sheet Presentation

	Year Ended 31 July 2005 £'000	Year Ended 31 July 2004 £'000	Year Ended 31 July 2003 £'000
Net assets as per Balance Sheet	67,911	61,602	63,438
Provision for pension enhancements	10,864	10,137	9,304
Pension Scheme prepayment	(1,453)	(1,374)	(1,215)
Net assets excluding FRS17 liability	77,322	70,365	71,527
Net pension liability	(30,532)	(29,173)	(27,660)
Net assets including FRS17 pensions liability	46,790	41,192	43,867

NOTES TO THE FINANCIAL STATEMENTS – continued

Reserves Note

	Year Ended 31 July 2005 £'000	Year Ended 31 July 2004 £'000	Year Ended 31 July 2003 £'000
Income and expenditure account excluding FRS 17 pension liability Pension Reserve	20,804 (30,532)	17,316 (29,173)	15,705 (27,660)
Income and expenditure account including FRS 17 pension liability	(9,728)	(11,857)	(18,895)

Under transitional arrangements of FRS 17, the Group's pension charge for the year calculated under FRS 17 assumptions is not included in the financial statements (as this is currently calculated on a SSAP 24 basis). If the charge had been included on an FRS 17 basis, the following entries would be made.

Analysis of the amount charged to Income and Expenditure account

	Year Ended 31 July 2005 £'000	Year Ended 31 July 2004 £'000
Service cost	2,247	2,440
Past service cost	114	149
Curtailment and Settlements	128	8
Total operating charge	2,489	2,597

Analysis of net return on pension return

	Year Ended 31 July 2005 £'000	Year Ended 31 July 2004 £'000
Expected return on pension scheme assets	3,152	2,835
Interest on pension liabilities	(4,191)	(3,641)
Net Return	(1,039)	(806)

NOTES TO THE FINANCIAL STATEMENTS – continued

Amount recognised in the statement of total recognised gains and losses (STRGL)

	Year Ended 31 July 2005 £'000	Year Ended 31 July 2004 £'000
Actual return less expected return on pension scheme assets	6,049	464
Experience gains and losses arising on the scheme liabilities	3,500	(907)
Changes in financial and demographic assumptions underlying the present value of liabilities	(9,922)	(91)
Actuarial loss recognised in STRGL	(373)	(534)

Movement in surplus/(deficit) during the year

	Year Ended 31 July 2005 £'000	Year Ended 31 July 2004 £'000
Deficit in scheme at 1 August	(29,173)	(27,660)
Movement in year:		
Current service charge	(2,247)	(2,440)
Contributions	1,970	1,888
Contributions in respect of unfunded benefits	572	536
Past service costs	(114)	(149)
Impact of Settlements and Curtailments	(128)	(8)
Net interest/return on assets	(1,039)	(806)
Actuarial gain or loss	(373)	(534)
Deficit in scheme at 31 July	(30,532)	(29,173)

History of experience gains and losses

	Year Ended 31 July 2005	Year Ended 31 July 2004	Year Ended 31 July 2003	Year Ended 31 July 2002
Difference between the expected and actual return on assets	6,049	464	(770)	(8,686)
% of scheme assets	11.4%	1.1%	(2.1%)	(25.6%)
Experience gains and losses on scheme liabilities	3,500	(907)	(2,889)	(2,788)
% of scheme liabilities	4.2%	(1.3%)	(4.4%)	(6.3%)
Total amount recognised in STRGL	(373)	(534)	(11,339)	(8,138)
% of scheme liabilities	(0.4%)	(0.7%)	(17.4%)	(18.4%)

NOTES TO THE FINANCIAL STATEMENTS – continued

Employers and Employees Total Contributions

	Year Ended 31 July 2005 £'000	Year Ended 31 July 2004 £'000
Contributions to TPS	4,004	4,087
Contributions to LGPS	2,990	2,851

The cost of providing pensions is part of the remuneration of employees. As such, this cost should be allocated as fairly as possible so as to match the benefit derived from the services of the University's employees. Under SSAP 24: Accounting for Pensions Costs, that element of the University's contribution which relates to the deficit in the pensions fund has been isolated from the regular pension cost, as follows:-

	£'000
Regular pension cost based on a constant percentage of earnings over the employees' service lives with the University	2,018
Variations from regular cost based on a constant percentage of current and estimated future earnings over the average service lives of current employees	443
	<u>2,461</u>

The regular pension cost has been charged to the Income and Expenditure account. The additional charge gives rise to a prepayment which is included in other debtors (note 16 on page 23)

The total pension charge for the year was £5,805,923 (2004: £5,828,259). The calculation of the cost of early retirement provisions charged to the income and expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 2.5% in excess of price inflation.

An amount of £10,864,238 (2004: £10,136,865) is included in provisions for liabilities and charges representing the extent to which the cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

NOTES TO THE FINANCIAL STATEMENTS - continued

33. STUDENTS' UNION

The University has not consolidated the financial statements of the Staffordshire University Students' Union because they are not material to the group. The accounts of the Students' Union are separately audited by F Mazloomian & Co. The results to 31 July 2005 are summarised below.

Results for the year are:

	2005	2004
	£'000	£'000
INCOME	789	866
EXPENDITURE		
Administration Expenses	270	301
Communication	38	37
Education	0	2
Finance	66	79
Information Technology	5	10
Student Activity	222	222
Personnel/Welfare	44	62
Representation	142	133
	787	846
Surplus for the Year	2	20

SUMMARY BALANCE SHEET

	2005	2004
	£'000	£'000
Fixed Assets	302	195
Net Current Assets	353	459
Total Net Assets	655	654

34. ACCESS FUNDS

	Year to	Year to
	31 July	31 July
	2005	2004
	£'000	£'000
Funding Council Grants	1,002	886
Interest Earned	11	8
	1,013	894
Disbursements to Students	(978)	(866)
Balance Unspent 31 July 2005	35	28

Funding Council Access grants are available solely for students; the University acts only as a paying agent. Grants and disbursements are therefore excluded from the University Income and Expenditure Account.

NOTES TO THE FINANCIAL STATEMENTS - continued

35. TEACHER TRAINING AGENCY (TTA)

(a) Student Bursaries

	Year to 31 July 2005 £'000	Year to 31 July 2004 £'000
Opening fund balance	7	0
Net Teacher Training Agency grants received in year	197	210
Disbursed to students	(202)	(203)
Administration fee	0	0
Balance Unspent at 31 July owing to the Teacher Training Agency	2	7

(b) Ethnic Minority Recruitment

Opening fund balance	-	3
Net Teacher Training Agency grants received in year	3	1
Disbursed to students	-	-
Support Payments to Schools	-	-
Development	-	-
Administration	-	1
Balance Unspent at 31 July owing to the Teacher Training Agency	3	3

Teacher Training Agency grants are available solely for students or school for student support and the University acts only as paying agent in administering these TTA grants. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

36. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest.

All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and Standing Orders Relating to Contracts and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.