

# **Financial Statements and Governors' Report**

**2006/07**

## **GOVERNORS, EXECUTIVES AND ADVISERS**

### **Board of Governors**

Graham Stow (Chair)  
David Dry (Deputy Chair)  
Steve Burgin (from 27.6.07)  
Akthar Choudhury (from 11.10.06)  
Mike Cooke (to 7.3.07)  
Ken Crossland  
The Very Reverend Adrian Dorber (from 13.12.06)  
John Edwards  
Lady Ann Fender  
Alan Fernyhough  
Martin Fiddler  
Sharon Gwinneth  
Professor Christine King  
Karen Moir  
Keith Norris  
Nigel Pursey (to 9.10.07)  
Keith Ralls (to 28.6.06)  
Steve Robinson (from 13.12.06)  
Ann Spears  
Andy Watts

### **Executive Team**

|                          |                        |
|--------------------------|------------------------|
| Professor Christine King | Vice-Chancellor        |
| Paul Richards            | Deputy Vice-Chancellor |
| Ken Sproston             | University Secretary   |
| Neil Scott               | Finance Director       |

### **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 2007.

### 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 31<sup>st</sup> July 2007 are as follows:-

|                                                                                                   | <b>2006/07</b> | <b>2005/06</b> |
|---------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                   | £'000          | £'000          |
| Income                                                                                            | 95,332         | 89,053         |
| Expenditure                                                                                       | 96,306         | 90,800         |
| Taxation                                                                                          |                |                |
| Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and taxation | (974)          | (1,747)        |
| Historical Cost Surplus for the Year                                                              | 101            | (672)          |

In 2006/07 the University group made an historical cost surplus of £0.1m compared with a restated deficit of £0.7m in 2005/06. Operating income grew by 7.0% to £95.3m, whilst year on year operating costs increased by 6.0% (£96.3m); 1% (£790k) of the costs are directly related to the FRS17 adjustments (2005/06: £896k). Cash balances decreased by £1.4m to a closing figure of £11.9m.

### Capital Investments

£3.7m was invested in capital projects during the year (2005/06: £5.0m). 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 Cash flow Statement shows cash inflows from operating activities of £1.7m (2005/06 : £3.7m). Overall there was a net cash outflow of £1.4m (2005/06: outflow £700,000). Payments to acquire and improve fixed assets totalled £3.7m (2005/06: £5.0m) with an inflow of capital grants of £2.4m (2005/06: £3.0m).

### 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 £807,000 in 2006/07, compared to £737,000 in 2005/06. A mixture of slightly higher interest rates and a consistent level of cash deposits has contributed to the increase in income from this source. The performance of cash deposits was reviewed during 2006/07 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  
12 December 2007

## 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 the revised 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 2007, 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 2007.

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 31<sup>st</sup> July 2007 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  
12 December 2007

## 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 (2003) 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  
12 December 2007



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

We have audited the Group University financial statements (the "financial statements") of Staffordshire University for the year ended 31 July 2007 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the 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 University's Board of Governors and Auditors

The University's Board of Governors responsibilities for preparing the Group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003), applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 7.

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

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

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

### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University's Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group as at 31 July 2007 and of the Group's deficit of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003);
- in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2007 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2007 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency.

KPMG LLP

*Chartered Accountants  
Registered Auditor  
12 December 2007*

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

*For the Year Ended 31 July 2007*

|                                             | Note | Year to<br>31 July<br>2007<br>£'000 | Year to<br>31 July<br>2006<br>£'000 |
|---------------------------------------------|------|-------------------------------------|-------------------------------------|
| <b>INCOME</b>                               |      |                                     |                                     |
| Funding Council Grants                      | 1    | 50,412                              | 49,449                              |
| Academic Fees and Support Grants            | 2    | 27,503                              | 22,150                              |
| Research Grants and Contracts               | 3    | 725                                 | 1,142                               |
| Other Operating Income                      | 4    | 15,885                              | 15,575                              |
| Endowment Income and Interest Receivable    | 5    | 807                                 | 737                                 |
| <b>TOTAL INCOME</b>                         |      | <b>95,332</b>                       | <b>89,053</b>                       |
| <b>EXPENDITURE</b>                          |      |                                     |                                     |
| Staff Costs                                 | 6    | 55,976                              | 51,169                              |
| Depreciation                                | 9,10 | 3,637                               | 3,760                               |
| Other Operating Expenses                    | 7    | 35,277                              | 33,818                              |
| Interest Payable                            | 8    | 1,416                               | 2,053                               |
| <b>TOTAL EXPENDITURE</b>                    | 9    | <b>96,306</b>                       | <b>90,800</b>                       |
| <b>DEFICIT FOR THE YEAR BEFORE TAXATION</b> |      | <b>(974)</b>                        | <b>(1,747)</b>                      |
| TAXATION                                    |      | -                                   | -                                   |
| <b>DEFICIT FOR THE YEAR AFTER TAXATION</b>  | 22   | <b>(974)</b>                        | <b>(1,747)</b>                      |

**NOTE OF HISTORICAL COST DEFICITS AND SURPLUSES**

|                                                                                                                             | Year to<br>31 July<br>2007<br>£'000 | Year to<br>31 July<br>2006<br>Restated<br>£'000 |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------|
| Reported deficit on ordinary activities                                                                                     | (974)                               | (1,747)                                         |
| Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount | 1,075                               | 1,075                                           |
| <b>HISTORICAL COST SURPLUS/(DEFICIT) FOR THE YEAR</b>                                                                       | <b>101</b>                          | <b>(672)</b>                                    |

**BALANCE SHEET AS AT 31 JULY 2007**

|                                                         |             | <b>GROUP</b>         |                      | <b>CORPORATION</b>   |                      |
|---------------------------------------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
|                                                         | <b>Note</b> | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 |
| <b>FIXED ASSETS</b>                                     |             |                      |                      |                      |                      |
| Tangible Assets                                         | 10          | 93,725               | 93,703               | 85,899               | 85,653               |
| Investments                                             | 11          | 72                   | 33                   | 72                   | 33                   |
|                                                         |             | <u>93,797</u>        | <u>93,736</u>        | <u>85,971</u>        | <u>85,686</u>        |
| ENDOWMENT ASSETS                                        | 12          | 290                  | 292                  | 290                  | 292                  |
| <b>CURRENT ASSETS</b>                                   |             |                      |                      |                      |                      |
| Stocks                                                  | 13          | 140                  | 131                  | 140                  | 131                  |
| Debtors: Amounts falling due after more than one year   | 14          | 525                  | 561                  | 3,056                | 3,282                |
| Debtors: Amounts falling due within one year            | 15          | 7,170                | 7,100                | 9,662                | 9,570                |
| Cash at bank and in hand                                |             | 11,931               | 13,340               | 11,861               | 13,274               |
|                                                         |             | <u>19,766</u>        | <u>21,132</u>        | <u>24,719</u>        | <u>26,257</u>        |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR          | 16          | (29,210)             | (17,085)             | (29,513)             | (17,379)             |
| NET CURRENT (LIABILITIES)/ASSETS                        |             | (9,444)              | 4,047                | (4,794)              | 8,878                |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |             | <b>84,643</b>        | <b>98,075</b>        | <b>81,467</b>        | <b>94,856</b>        |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 17          | (537)                | (15,415)             | (3,068)              | (18,136)             |
| PROVISIONS FOR LIABILITIES AND CHARGES                  | 18          | (1,375)              | (819)                | (1,375)              | (819)                |
| NET ASSETS EXCLUDING PENSION LIABILITY                  |             | 82,731               | 81,841               | 77,024               | 75,901               |
| Net pension liability                                   | 31          | (20,371)             | (30,379)             | (20,371)             | (30,379)             |
| <b>NET ASSETS INCLUDING PENSION LIABILITY</b>           |             | <b>62,360</b>        | <b>51,462</b>        | <b>56,653</b>        | <b>45,522</b>        |

**BALANCE SHEET - continued**

|                                                          |             | <b>GROUP</b>         |                      | <b>CORPORATION</b>   |                      |
|----------------------------------------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
|                                                          | <b>Note</b> | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 |
| Represented by:                                          |             |                      |                      |                      |                      |
| <b>DEFERRED CAPITAL GRANTS</b>                           | 19          | 16,831               | 15,757               | 16,831               | 15,757               |
| <b>ENDOWMENTS</b>                                        |             |                      |                      |                      |                      |
| Specific                                                 | 20          | 290                  | 292                  | 290                  | 292                  |
| <b>RESERVES</b>                                          |             |                      |                      |                      |                      |
| Revaluation Reserve                                      | 21          | 44,138               | 45,213               | 44,138               | 45,213               |
| Income and Expenditure Account excluding pension reserve | 22          | 21,472               | 20,579               | 15,765               | 14,639               |
| Pension Reserve                                          | 22          | (20,371)             | (30,379)             | (20,371)             | (30,379)             |
| Income & Expenditure Account including pension reserve   |             | 1,101                | (9,800)              | (4,606)              | (15,740)             |
| Total Reserves                                           |             | 45,239               | 35,413               | 39,532               | 29,473               |
| <b>TOTAL FUNDS</b>                                       |             | <b>62,360</b>        | <b>51,462</b>        | <b>56,653</b>        | <b>45,522</b>        |

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 10 to 39 were approved by the Board of Governors on 12 December 2007 and signed by:

**Graham Stow**  
Chair of the Board of Governors

**Professor Christine King**  
Vice-Chancellor

**CONSOLIDATED CASH FLOW STATEMENT**

|                                                                                      | Note  | Year to<br>31 July<br>2007<br>£'000 | Year to<br>31 July<br>2006<br>£'000 |
|--------------------------------------------------------------------------------------|-------|-------------------------------------|-------------------------------------|
| <b>NET CASH INFLOW<br/>FROM OPERATING ACTIVITIES</b>                                 | 24    | 1,703                               | 3,693                               |
| <b>RETURNS ON INVESTMENTS AND<br/>SERVICING OF FINANCE</b>                           |       |                                     |                                     |
| Income from short term investments                                                   |       | 807                                 | 735                                 |
| Interest Paid                                                                        |       | (1,426)                             | (1,522)                             |
| HEFCE reimbursement of interest paid                                                 |       | -                                   | 141                                 |
| <b>NET CASH OUTFLOW FROM<br/>RETURNS ON INVESTMENTS AND<br/>SERVICING OF FINANCE</b> |       | (619)                               | (646)                               |
| <b>CAPITAL EXPENDITURE</b>                                                           |       |                                     |                                     |
| Payments to acquire tangible fixed assets                                            |       | (3,690)                             | (4,966)                             |
| Payments to acquire fixed asset investments                                          |       | (39)                                | -                                   |
| Receipts from sales of tangible fixed assets                                         |       | 1                                   | -                                   |
| Deferred capital grants received                                                     |       | 2,893                               | 2,976                               |
| HEFCE reimbursement of principal repayments                                          |       | -                                   | 3,874                               |
| <b>NET CASH (OUTFLOW)/INFLOW FROM<br/>CAPITAL EXPENDITURE</b>                        |       | (835)                               | 1,884                               |
| TAXATION                                                                             |       | -                                   | -                                   |
| <b>NET CASH INFLOW AFTER TAXATION, BUT BEFORE FINANCING</b>                          |       | 249                                 | 4,931                               |
| <b>FINANCING</b>                                                                     |       |                                     |                                     |
| New loans acquired                                                                   | 25    | -                                   | -                                   |
| Repayment of loans                                                                   | 25    | (1,658)                             | (5,627)                             |
| Capital element of finance lease repayments                                          | 25    | -                                   | (4)                                 |
| <b>NET CASH OUTFLOW FROM FINANCING</b>                                               |       | <b>(1,658)</b>                      | <b>(5,631)</b>                      |
| <b>DECREASE IN CASH FOR THE YEAR</b>                                                 | 26,27 | <b>(1,409)</b>                      | <b>(700)</b>                        |

**CONSOLIDATED CASH FLOW STATEMENT - continued**

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 28)**

|                                  | <b>Year to<br/>31 July<br/>2007<br/>£'000</b> | <b>Year to<br/>31 July<br/>2006<br/>£'000</b> |
|----------------------------------|-----------------------------------------------|-----------------------------------------------|
| Decrease in cash in year         | (1,409)                                       | (700)                                         |
| Repayment of debt                | 1,658                                         | 5,631                                         |
| Movement arising from cash flows | 249                                           | 4,931                                         |
| <b>CHANGE IN NET DEBT</b>        |                                               |                                               |
| <b>NET DEBT AT 1 AUGUST 2006</b> | <b>(3,148)</b>                                | <b>(8,079)</b>                                |
| <b>NET DEBT AT 31 JULY 2007</b>  | <b>(2,899)</b>                                | <b>(3,148)</b>                                |

**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES**

|                                                    |    | <b>Year to<br/>31 July<br/>2007<br/>£'000</b> | <b>Year to<br/>31 July<br/>2006<br/>£'000</b> |
|----------------------------------------------------|----|-----------------------------------------------|-----------------------------------------------|
| Deficit for the year                               |    | (974)                                         | (1,747)                                       |
| Reimbursement of inherited debt                    |    | -                                             | 3,873                                         |
| Actuarial gain/(loss) in respect of pension scheme | 22 | 10,798                                        | 1,049                                         |
| <b>Total recognised gains relating to the year</b> |    | <b>9,824</b>                                  | <b>3,175</b>                                  |
| <b>Reconciliation</b>                              |    |                                               |                                               |
| Opening Reserves                                   |    | 35,413                                        | 32,238                                        |
| Transfer from Endowment Reserve                    |    | 2                                             | -                                             |
| Total recognised gains for the year                |    | 9,824                                         | 3,175                                         |
| <b>Closing Reserves</b>                            |    | <b>45,239</b>                                 | <b>35,413</b>                                 |

## STATEMENT OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATION TECHNIQUES

The following accounting policies have been applied consistently in detailing with items which are considered material in relation to the financial statements.

### BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2003) and in accordance with applicable Accounting Standards.

### 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 Limited and Octagon Computer Centre Limited. 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 32 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.

### REVALUATION RESERVE

Revaluation 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.

Buildings under construction are accounted for at cost. They are not depreciated until they are brought into use.

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   |
| Major Refurbishments           | 10% 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, with any partial recovery netted off against these figures.

#### **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.

#### **POST RETIREMENT BENEFITS**

Retirement benefits to employees of the University are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.

Contributions to the TPS scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme are expected to arise from employee service in the period is charged to the operating surplus. The expected return of the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 31.

#### **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**

|                                                                | <b>Year to<br/>31 July<br/>2007<br/>£'000</b> | <b>Year to<br/>31 July<br/>2006<br/>Restated<br/>£'000</b> |
|----------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------------|
| <b>1. FUNDING COUNCIL GRANTS</b>                               |                                               |                                                            |
| Recurrent Grant                                                |                                               |                                                            |
| HEFCE                                                          | 45,241                                        | 43,018                                                     |
| LSC                                                            | 62                                            | 62                                                         |
| TDA                                                            | 333                                           | 169                                                        |
| Foundation Degree Forward                                      | 3,123                                         | 3,475                                                      |
| Research and Selective Initiatives                             | 425                                           | 1,055                                                      |
| HEFCE Reimbursement of Inherited Liabilities                   | -                                             | 106                                                        |
| HEFCE Reimbursement of breakage cost for Inherited Liabilities | -                                             | 491                                                        |
| Release of Capital Grants                                      |                                               |                                                            |
| Buildings                                                      | 483                                           | 339                                                        |
| Equipment                                                      | 745                                           | 734                                                        |
|                                                                | <b>50,412</b>                                 | <b>49,449</b>                                              |
| <b>2. ACADEMIC FEES AND SUPPORT GRANTS</b>                     |                                               |                                                            |
| Full-Time Students -UK/EU                                      | 14,261                                        | 10,201                                                     |
| Full-Time Students - Overseas                                  | 5,207                                         | 4,106                                                      |
| Part-Time Fees                                                 | 1,997                                         | 1,718                                                      |
| Education Contracts                                            | 5,516                                         | 5,509                                                      |
| Short Course Fees                                              | 522                                           | 616                                                        |
|                                                                | <b>27,503</b>                                 | <b>22,150</b>                                              |
| <b>3. RESEARCH GRANTS AND CONTRACTS</b>                        |                                               |                                                            |
| Research Councils                                              | 42                                            | 113                                                        |
| UK Based Charities                                             | 23                                            | 116                                                        |
| UK Industry and Commerce                                       | 16                                            | 253                                                        |
| UK Central Government/Health Authorities                       | 581                                           | 467                                                        |
| European Community Programmes                                  | 63                                            | 128                                                        |
| Other Research Grants and Contracts                            | -                                             | 65                                                         |
|                                                                | <b>725</b>                                    | <b>1,142</b>                                               |
| <b>4. OTHER OPERATING INCOME</b>                               |                                               |                                                            |
| Residences, Catering and Conferences                           | 5,779                                         | 5,641                                                      |
| Consultancy/Self Financing Fees                                | 6,498                                         | 7,352                                                      |
| Other Rents/Lettings                                           | 765                                           | 606                                                        |
| Release from deferred capital grants (non-funding council)     | 133                                           | 193                                                        |
| Other Income                                                   | 1,567                                         | 1,768                                                      |
| Foundation Degree Forward                                      | 1,143                                         | 15                                                         |
|                                                                | <b>15,885</b>                                 | <b>15,575</b>                                              |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

|                                                    | <b>Year to<br/>31 July<br/>2007<br/>£'000</b> | <b>Year to<br/>31 July<br/>2006<br/>£'000</b> |
|----------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>5. ENDOWMENT INCOME AND INTEREST RECEIVABLE</b> |                                               |                                               |
| Investment Income                                  | 805                                           | 735                                           |
| Endowment Income (Note 12)                         | 2                                             | 2                                             |
|                                                    | <b>807</b>                                    | <b>737</b>                                    |

|                                                    | <b>31 July<br/>2007<br/>Total<br/>£'000</b> | <b>31 July<br/>2006<br/>Total<br/>£'000</b> |
|----------------------------------------------------|---------------------------------------------|---------------------------------------------|
| <b>6. STAFF</b>                                    |                                             |                                             |
| <b>Staff Costs</b>                                 |                                             |                                             |
| Wages                                              | 45,490                                      | 41,891                                      |
| Social Security Costs                              | 3,533                                       | 3,204                                       |
| Other Pension Costs (including FRS 17 adjustments) | 6,890                                       | 5,926                                       |
| Redundancy/Managed Severance Scheme                | 63                                          | 148                                         |
|                                                    | <b>55,976</b>                               | <b>51,169</b>                               |

|                                          | <b>Year to<br/>31 July<br/>2007<br/>£'000</b> | <b>Year to<br/>31 July<br/>2006<br/>£'000</b> |
|------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Emoluments of the Vice-Chancellor</b> |                                               |                                               |
| Salary costs                             | 159                                           | 160                                           |
| Benefits in kind                         | 4                                             | 3                                             |
| Employers Pension Contributions          | 22                                            | 21                                            |
|                                          | <b>185</b>                                    | <b>184</b>                                    |

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 £22,038 (2006: £20,655)

|                                                                                            | <b>2007<br/>Number</b> | <b>2006<br/>Number</b> |
|--------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Average Staff Numbers by Major Category</b>                                             |                        |                        |
| Management                                                                                 | 83                     | 51                     |
| Academic                                                                                   | 613                    | 594                    |
| Administrative, Professional, Technical and Clerical Staff                                 | 854                    | 851                    |
| Manual Staff                                                                               | 181                    | 188                    |
|                                                                                            | <b>1,731</b>           | <b>1,684</b>           |
| <b>Remuneration of other higher paid staff, including employer's pension contributions</b> |                        |                        |
| £70,000 - £79,999                                                                          | 8                      | 12                     |
| £80,000 - £89,999                                                                          | 7                      | 1                      |
| £90,000 - £99,999                                                                          | 1                      | -                      |
| £100,000 - £109,999                                                                        | 3                      | 2                      |
| £110,000 - £119,999                                                                        | 1                      | 1                      |
| £120,000 - £129,999                                                                        | 1                      | -                      |
|                                                                                            | <b>21</b>              | <b>16</b>              |

A general pay award of 3% was made with effect from 1<sup>st</sup> August 2006 and a further 1% on 1<sup>st</sup> February 2007 approved by the Corporation.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

|                                              | <b>Year to<br/>31 July 2007</b> | <b>Year to<br/>31 July 2006</b> |
|----------------------------------------------|---------------------------------|---------------------------------|
|                                              | £'000                           | £'000                           |
| <b>7. OTHER OPERATING EXPENSES</b>           |                                 |                                 |
| Consumables                                  | 1,646                           | 1,732                           |
| Equipment and Tools                          | 2,537                           | 2,783                           |
| Operating Leases                             | 1,667                           | 1,200                           |
| Books and Periodicals                        | 1,107                           | 914                             |
| Printing - External and Internal             | 389                             | 452                             |
| Protective Clothing/Laundry/Uniforms         | 54                              | 71                              |
| Repairs and General Maintenance              | 2,497                           | 2,096                           |
| Heat, Light, Water and Power                 | 1,819                           | 1,857                           |
| Rent and Rates                               | 526                             | 645                             |
| Staff and Student Development                | 2,168                           | 1,930                           |
| Travel and Subsistence                       | 1,412                           | 1,443                           |
| Student Union Contributions                  | 615                             | 804                             |
| Auditors' Remuneration (Corporation)         | 37                              | 51                              |
| Auditors' Remuneration (Subsidiaries)        | 6                               | 4                               |
| Internal Audit Costs                         | 56                              | 73                              |
| Irrecoverable VAT Input Tax                  | 2,266                           | 2,471                           |
| Payments to Franchise Colleges               | 5,827                           | 4,691                           |
| Telephones and Postages                      | 832                             | 927                             |
| Insurance                                    | 271                             | 341                             |
| Publicity and Prospectus                     | 1,163                           | 1,042                           |
| Examinations/Awards Day                      | 315                             | 282                             |
| Subscriptions                                | 350                             | 328                             |
| Vehicle Hire/Lease                           | 100                             | 107                             |
| Other Expenses                               | 303                             | 381                             |
| Professional Charges                         | 269                             | 229                             |
| Consultancy                                  | 2,051                           | 2,630                           |
| Legal Charges                                | 205                             | 22                              |
| Agency Servicing                             | 437                             | 370                             |
| Breakage Costs for Inherited Liabilities     | 297                             | 491                             |
| Security                                     | 331                             | 374                             |
| Movement in Provision for Bad/Doubtful Debts | 252                             | 848                             |
| Placement Fees                               | 156                             | 180                             |
| Registration Fees                            | 148                             | 142                             |
| Grant Payments (External Activity)           | 1,766                           | 1,907                           |
| Bursary Payments                             | 1,402                           | -                               |
|                                              | <b>35,277</b>                   | <b>33,818</b>                   |
| <b>8. INTEREST PAYABLE</b>                   |                                 |                                 |
| Loan not wholly repayable within five years  | 1,109                           | 1,467                           |
| Pension finance costs (FRS17)                | 307                             | 586                             |
|                                              | <b>1,416</b>                    | <b>2,053</b>                    |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**9. ANALYSIS OF EXPENDITURE BY ACTIVITY**

|                                             | <b>Staff<br/>Costs</b> | <b>Dep'n</b> | <b>Other<br/>Operating<br/>Expenses</b> | <b>Interest<br/>Payable</b> | <b>2007<br/>Total</b> | <b>2006<br/>Total</b> |
|---------------------------------------------|------------------------|--------------|-----------------------------------------|-----------------------------|-----------------------|-----------------------|
|                                             | £'000                  | £'000        | £'000                                   | £'000                       | £'000                 | £'000                 |
| Academic Departments                        | 30,677                 | 1,555        | 10,561                                  |                             | 42,793                | 39,953                |
| Academic Services                           | 5,924                  | 870          | 2,480                                   |                             | 9,274                 | 8,587                 |
| Research Grants & Contracts                 | 310                    | -            | 360                                     |                             | 670                   | 1,290                 |
| Residences, Catering & Conferences          | 1,669                  | 572          | 2,226                                   | 647                         | 5,114                 | 4,857                 |
| Premises                                    | 2,140                  | 262          | 4,670                                   |                             | 7,072                 | 5,932                 |
| Administration                              | 8,607                  | 378          | 5,484                                   |                             | 14,469                | 13,459                |
| Other Expenses                              | 5,348                  | -            | 6,532                                   | 769                         | 12,649                | 13,219                |
| Foundation Degree Forward                   | 1,301                  | -            | 2,964                                   | -                           | 4,265                 | 3,503                 |
| <b>Total Income and Expenditure Account</b> | <b>55,976</b>          | <b>3,637</b> | <b>35,277</b>                           | <b>1,416</b>                | <b>96,306</b>         | <b>90,800</b>         |

|                                             |              |
|---------------------------------------------|--------------|
| The depreciation has been funded by:        | £'000        |
| Deferred Capital Grants Released (note 19)  | 1,361        |
| Transfer from Revaluation Reserve (note 21) | 1,075        |
| General Income                              | 1,201        |
|                                             | <u>3,637</u> |

**10. TANGIBLE FIXED ASSETS - Group**

|                          | <b>Freehold<br/>Land and<br/>Buildings</b> | <b>Assets in<br/>Course of<br/>Construction</b> | <b>Computer<br/>Equipment</b> | <b>Other<br/>Equipment<br/>And<br/>Fittings</b> | <b>TOTAL</b>   |
|--------------------------|--------------------------------------------|-------------------------------------------------|-------------------------------|-------------------------------------------------|----------------|
|                          | £'000                                      | £'000                                           | £'000                         | £'000                                           | £'000          |
| <b>COST OR VALUATION</b> |                                            |                                                 |                               |                                                 |                |
| At 1 August 2006         | 121,465                                    | 1,077                                           | 8,236                         | 6,801                                           | <b>137,579</b> |
| Additions                | 1,420                                      | 1,921                                           | 129                           | 220                                             | <b>3,690</b>   |
| Reclassifications        | 286                                        | (702)                                           | 416                           | -                                               | -              |
| Disposals                | (40)                                       | -                                               | (129)                         | (77)                                            | <b>(246)</b>   |
| At 31 July 2007          | <u>123,131</u>                             | <u>2,296</u>                                    | <u>8,652</u>                  | <u>6,944</u>                                    | <b>141,023</b> |
| <b>DEPRECIATION</b>      |                                            |                                                 |                               |                                                 |                |
| At 1 August 2006         | 31,572                                     | -                                               | 7,367                         | 4,937                                           | <b>43,876</b>  |
| Depreciation for year    | 2,719                                      | -                                               | 407                           | 511                                             | <b>3,637</b>   |
| Elimination on disposals | (10)                                       | -                                               | (129)                         | (76)                                            | <b>(215)</b>   |
| At 31 July 2007          | <u>34,281</u>                              | <u>-</u>                                        | <u>7,645</u>                  | <u>5,372</u>                                    | <b>47,298</b>  |
| Net Book Value           |                                            |                                                 |                               |                                                 |                |
| At 31 July 2007          | <u>88,850</u>                              | <u>2,296</u>                                    | <u>1,007</u>                  | <u>1,572</u>                                    | <b>93,725</b>  |
| Net Book Value           |                                            |                                                 |                               |                                                 |                |
| At 31 July 2006          | <u>89,893</u>                              | <u>1,077</u>                                    | <u>869</u>                    | <u>1,864</u>                                    | <b>93,703</b>  |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**10. TANGIBLE FIXED ASSETS - Corporation**

|                                   | <b>Freehold<br/>Land and<br/>Buildings</b> | <b>Assets in<br/>Course of<br/>Construction</b> | <b>Computer<br/>Equipment</b> | <b>Other<br/>Equipment<br/>And<br/>Fittings</b> | <b>TOTAL</b>   |
|-----------------------------------|--------------------------------------------|-------------------------------------------------|-------------------------------|-------------------------------------------------|----------------|
|                                   | £'000                                      | £'000                                           | £'000                         | £'000                                           | £'000          |
| <b>COST OR VALUATION</b>          |                                            |                                                 |                               |                                                 |                |
| At 1 August 2006                  | 110,772                                    | 1,077                                           | 8,236                         | 6,609                                           | <b>126,694</b> |
| Additions                         | 1,420                                      | 1,921                                           | 129                           | 214                                             | <b>3,684</b>   |
| Reclassifications                 | 286                                        | (702)                                           | 416                           | -                                               | -              |
| Disposals                         | (40)                                       |                                                 | (129)                         | (57)                                            | <b>(226)</b>   |
|                                   | <hr/>                                      |                                                 |                               |                                                 |                |
| At 31 July 2007                   | 112,438                                    | 2,296                                           | 8,652                         | 6,766                                           | <b>130,152</b> |
| <b>DEPRECIATION</b>               |                                            |                                                 |                               |                                                 |                |
| At 1 August 2006                  | 28,911                                     | -                                               | 7,367                         | 4,763                                           | <b>41,041</b>  |
| Depreciation for year             | 2,498                                      | -                                               | 407                           | 502                                             | <b>3,407</b>   |
| Elimination on disposals          | (10)                                       | -                                               | (129)                         | (56)                                            | <b>(195)</b>   |
|                                   | <hr/>                                      |                                                 |                               |                                                 |                |
| At 31 July 2007                   | 31,399                                     | -                                               | 7,645                         | 5,209                                           | <b>44,253</b>  |
|                                   | <hr/>                                      |                                                 |                               |                                                 |                |
| Net Book Value<br>At 31 July 2007 | 81,039                                     | 2,296                                           | 1,007                         | 1,557                                           | <b>85,899</b>  |
|                                   | <hr/>                                      |                                                 |                               |                                                 |                |
| Net Book Value<br>At 31 July 2006 | 81,861                                     | 1,077                                           | 869                           | 1,846                                           | <b>85,653</b>  |

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 an 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**

|                        | <b>GROUP</b>         |                      | <b>CORPORATION</b>   |                      |
|------------------------|----------------------|----------------------|----------------------|----------------------|
|                        | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 |
| At 31 August 2006      | 33                   | 33                   | 33                   | 33                   |
| Additions              | 39                   | -                    | 39                   | -                    |
| <b>At 31 July 2007</b> | <b>72</b>            | <b>33</b>            | <b>72</b>            | <b>33</b>            |

Fixed Asset Investments include a £33k investment (0.78% of the issued share capital) in CVCP Properties Limited and 10% shareholdings in Picture Nation Limited and Blackstone Resourcing Limited. All three companies are registered in Great Britain and incorporated in England and Wales.

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-subsiary 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 2007.

**12. ENDOWMENT ASSET INVESTMENTS**

|                                | <b>GROUP AND CORPORATION</b> |                      |
|--------------------------------|------------------------------|----------------------|
|                                | <b>2007</b><br>£'000         | <b>2006</b><br>£'000 |
| Balance at 1 August 2006       | 292                          | 294                  |
| Additions                      | -                            | -                    |
| Interest Received              | 2                            | 2                    |
| Prize Fund payments            | (4)                          | (4)                  |
| <b>Balance at 31 July 2007</b> | <b>290</b>                   | <b>292</b>           |
| Represented by:                | <b>2007</b><br>£'000         | <b>2006</b><br>£'000 |
| Thornhill Bequest              | 192                          | 192                  |
| Fixed interest stocks          | 7                            | 7                    |
| Bank balances                  | 91                           | 93                   |
|                                | <b>290</b>                   | <b>292</b>           |

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. 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**

|                               | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 |
|-------------------------------|----------------------|----------------------|
| Raw materials and consumables | <b>140</b>           | <b>131</b>           |

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

|                                                                                  | <b>GROUP</b>         |                      | <b>CORPORATION</b>   |                      |
|----------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                  | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 |
| Amounts owed by subsidiary undertaking                                           | -                    | -                    | 2,531                | 2,721                |
| Amounts owed under joint arrangement with Tamworth and Lichfield College Phase 1 | 525                  | 561                  | 525                  | 561                  |
|                                                                                  | <b>525</b>           | <b>561</b>           | <b>3,056</b>         | <b>3,282</b>         |

**15. DEBTORS: Amounts falling due within one year**

|                                         | <b>GROUP</b>         |                      | <b>CORPORATION</b>   |                      |
|-----------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                         | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 |
| Trade debtors                           | 3,886                | 3,478                | 3,865                | 3,474                |
| Amounts owed by subsidiary undertakings | -                    | -                    | 2,552                | 2,518                |
| Other debtors                           | 182                  | 143                  | 148                  | 109                  |
| Prepayments and accrued income          | 3,102                | 3,479                | 3,097                | 3,469                |
|                                         | <b>7,170</b>         | <b>7,100</b>         | <b>9,662</b>         | <b>9,570</b>         |



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**16. CREDITORS: Amounts falling due within one year:**

|                                         | GROUP         |               | CORPORATION   |               |
|-----------------------------------------|---------------|---------------|---------------|---------------|
|                                         | 2007<br>£'000 | 2006<br>£'000 | 2007<br>£'000 | 2006<br>£'000 |
| Loans                                   | 14,830        | 1,654         | 14,830        | 1,654         |
| Trade creditors                         | 3,410         | 3,580         | 3,410         | 3,580         |
| Amounts owed to subsidiary undertakings | -             | -             | 337           | 338           |
| Other taxation and social security      | 2,003         | 1,861         | 1,982         | 1,840         |
| Other creditors                         | 305           | 580           | 305           | 580           |
| Accruals and deferred income            | 8,662         | 9,410         | 8,649         | 9,387         |
|                                         | <b>29,210</b> | <b>17,085</b> | <b>29,513</b> | <b>17,379</b> |

**17. CREDITORS: Amounts falling due after more than one year:**

|                                      | GROUP         |               | CORPORATION   |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2007<br>£'000 | 2006<br>£'000 | 2007<br>£'000 | 2006<br>£'000 |
| Bank loan account                    | -             | 14,834        | -             | 14,834        |
| Tamworth & Lichfield College Phase 2 | 537           | 581           | 537           | 581           |
| Amounts owed to subsidiary company   | -             | -             | 2,531         | 2,721         |
|                                      | <b>537</b>    | <b>15,415</b> | <b>3,068</b>  | <b>18,136</b> |

**LOAN OBLIGATIONS**

|                            | GROUP         |               | CORPORATION   |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | 2007<br>£'000 | 2006<br>£'000 | 2007<br>£'000 | 2006<br>£'000 |
| Between one and two years  | -             | 1,019         | -             | 1,209         |
| Between two and five years | -             | 4,002         | -             | 4,572         |
| Over five years            | -             | 9,813         | -             | 11,774        |
|                            | -             | 14,834        | -             | 17,555        |
| Within one year            | 14,830        | 1,654         | 14,830        | 1,844         |
|                            | <b>14,830</b> | <b>16,488</b> | <b>14,830</b> | <b>19,399</b> |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

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

| <b>Original Loan<br/>£'000</b> | <b>Outstanding Balance at<br/>31 July 2007<br/>£'000</b> | <b>Interest Basis</b>         | <b>Repayment Terms</b>                                              | <b>Security</b>                                                                                              |
|--------------------------------|----------------------------------------------------------|-------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| 3,000                          | 1,415                                                    | 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                          | 1,022                                                    | 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                          | 1,797                                                    | 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                          | 2,579                                                    | 6.4% fixed until April 2011   | Equal principal repayments over 15 years starting from October 2001 | University student residential accommodation at the Stafford campus.                                         |
| 1,600                          | 1,123                                                    | 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                          | 3,634                                                    | 7.5% fixed until August 2015  | Equal principal repayments for 15 years starting August 2005.       | University student residential accommodation at the Stafford campus.                                         |
| 3,500                          | 3,260                                                    | 7.2% fixed until October 2010 | Equal principal repayments for 15 years starting October 2005.      | University student residential accommodation at the Stoke campus.                                            |

The University's loans were repaid after the year-end and a new term loan facility of £16.0m, drawn down on 17<sup>th</sup> September 2007. The interest basis of the loan is 27 years fixed rate at 5.2%.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**18. PROVISIONS FOR LIABILITIES AND CHARGES**

**GROUP AND CORPORATION**

|                                           | <b>Pension<br/>Enhancement<br/>£'000</b> | <b>Onerous<br/>Leases and<br/>Lease<br/>Dilapidations<br/>£'000</b> | <b>Legal Costs<br/>£'000</b> | <b>NPF<br/>£'000</b> | <b>2007<br/>Total<br/>£'000</b> | <b>2006<br/>Total<br/>£'000</b> |
|-------------------------------------------|------------------------------------------|---------------------------------------------------------------------|------------------------------|----------------------|---------------------------------|---------------------------------|
| At 1 August 2006                          | 408                                      | 411                                                                 | 0                            | 0                    | 819                             | 1,239                           |
| Utilised in the Year                      | (67)                                     | (169)                                                               | 0                            | 0                    | (236)                           | (301)                           |
| Charge to Income &<br>Expenditure Account | 41                                       | 517                                                                 | 84                           | 150                  | 792                             | (119)                           |
| <b>At 31 July 2007</b>                    | <b>382</b>                               | <b>759</b>                                                          | <b>84</b>                    | <b>150</b>           | <b>1,375</b>                    | <b>819</b>                      |

The NPF provision relates to outstanding individual appeals lodged under the National Pay Framework agreement.

**19. DEFERRED CAPITAL GRANTS**

**GROUP AND CORPORATION**

|                                    | <b>Buildings<br/>£'000</b> | <b>Equipment<br/>£'000</b> | <b>2007<br/>Total<br/>£'000</b> | <b>2006<br/>Total<br/>£'000</b> |
|------------------------------------|----------------------------|----------------------------|---------------------------------|---------------------------------|
| At 1 August 2006                   | 12,648                     | 3,109                      | 15,757                          | 13,809                          |
| Add cash receivable                | 1,493                      | 942                        | 2,435                           | 3,214                           |
| Released to Income and Expenditure | (554)                      | (807)                      | (1,361)                         | (1,266)                         |
| <b>At 31 July 2007</b>             | <b>13,587</b>              | <b>3,244</b>               | <b>16,831</b>                   | <b>15,757</b>                   |

**20. ENDOWMENTS RESERVE**

**GROUP AND CORPORATION**

|                        | <b>2007<br/>Specific<br/>£'000</b> | <b>2006<br/>Specific<br/>£'000</b> |
|------------------------|------------------------------------|------------------------------------|
| At 1 August 2006       | 292                                | 294                                |
| Net Income for year    | (2)                                | (2)                                |
| <b>At 31 July 2007</b> | <b>290</b>                         | <b>292</b>                         |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**21. REVALUATION RESERVE**

**GROUP AND CORPORATION**

|                                            | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 |
|--------------------------------------------|----------------------|----------------------|
| At 1 August 2006                           | 45,213               | 42,415               |
| Add HEFCE reimbursement of loan repayments | -                    | 3,873                |
| Less release of revaluation reserve        | (1,075)              | (1,075)              |
| <b>At 31 July 2007</b>                     | <b>44,138</b>        | <b>45,213</b>        |

**22. INCOME AND EXPENDITURE ACCOUNT RESERVE**

**GROUP**

**CORPORATION**

|                                                                  | <b>2007</b><br>£'000 | <b>2006</b><br>Restated<br>£'000 | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 |
|------------------------------------------------------------------|----------------------|----------------------------------|----------------------|----------------------|
| As at 1 August                                                   | (9,800)              | (10,177)                         | (15,740)             | (16,469)             |
| Deficit retained for the year                                    | (974)                | (1,747)                          | (741)                | (1,395)              |
| Transfer from Endowment Reserve                                  | 2                    | -                                | 2                    | -                    |
| Transfer from capital reserve                                    | 1,075                | 1,075                            | 1,075                | 1,075                |
| Actuarial gain in respect of pension scheme                      | 10,798               | 1,049                            | 10,798               | 1,049                |
| <b>At 31 July 2007</b>                                           | <b>1,101</b>         | <b>(9,800)</b>                   | <b>(4,606)</b>       | <b>(15,740)</b>      |
| Balance represented by                                           |                      |                                  |                      |                      |
| Pension Reserve                                                  | (20,371)             | (30,379)                         | (20,371)             | (30,379)             |
| Income and Expenditure account reserve excluding pension reserve | 21,472               | 20,579                           | 15,765               | 14,639               |
| <b>At 31 July 2007</b>                                           | <b>1,101</b>         | <b>(9,800)</b>                   | <b>(4,606)</b>       | <b>(15,740)</b>      |

**23. OPERATING LEASE COMMITMENTS**

**GROUP AND CORPORATION**

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

|                            | <b>2007</b><br>£'000 | <b>2006</b><br>Restated<br>£'000 |
|----------------------------|----------------------|----------------------------------|
| Within one year            | 996                  | 1,137                            |
| Between two and five years | 2,751                | 3,485                            |
|                            | <b>3,747</b>         | <b>4,622</b>                     |

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

**24. NET CASH FLOW FROM OPERATING ACTIVITIES**

|                                                                  | <b>Year to<br/>31 July<br/>2007</b><br>£'000 | <b>Year to<br/>31 July<br/>2006</b><br>£'000 |
|------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Deficit for the year before taxation and transfers from reserves | (974)                                        | (1,747)                                      |
| Interest Receivable                                              | (807)                                        | (737)                                        |
| HEFCE Reimbursement Receivable                                   | -                                            | (106)                                        |
|                                                                  | <b>(1,781)</b>                               | <b>(2,590)</b>                               |
| Add back interest payable                                        | 1,416                                        | 1,467                                        |
| Deficit from operating activities                                | (365)                                        | (1,123)                                      |
| Release of capital grant                                         | (1,361)                                      | (1,266)                                      |
| Depreciation                                                     | 3,637                                        | 3,760                                        |
| Pension Adjustments (FRS17)                                      | 790                                          | 896                                          |
| Loss on sale of fixed assets                                     | 31                                           | 38                                           |
| (Increase)/Decrease in stock                                     | (9)                                          | 22                                           |
| (Increase) in debtors                                            | (34)                                         | (1,010)                                      |
| (Decrease)/Increase in creditors                                 | (1,542)                                      | 2,796                                        |
| Increase/(Decrease) in provisions                                | 556                                          | (420)                                        |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>                 | <b>1,703</b>                                 | <b>3,693</b>                                 |

**25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

|                                | <b>Building<br/>Society<br/>Mortgage</b><br>£'000 | <b>Bank<br/>Loans</b><br>£'000 |
|--------------------------------|---------------------------------------------------|--------------------------------|
| Balance at 1 August 2006       | 344                                               | 16,144                         |
| Cash outflows from financing   | (344)                                             | (1,314)                        |
| <b>Balance at 31 July 2007</b> | <b>-</b>                                          | <b>14,830</b>                  |

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT - continued**

**26. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

|                                |               |
|--------------------------------|---------------|
|                                | £'000         |
| Balance at 1 August 2006       | 13,340        |
| Net cash outflow               | (1,409)       |
|                                | <hr/>         |
| <b>Balance at 31 July 2007</b> | <b>11,931</b> |
|                                | <hr/>         |

**27. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS**

|                                     | 2007<br>£'000 | 2006<br>£'000 | 2007<br>Change<br>in<br>Year<br>£'000 | 2006<br>£'000 | 2005<br>£'000 | 2006<br>Change<br>In<br>Year<br>£'000 |
|-------------------------------------|---------------|---------------|---------------------------------------|---------------|---------------|---------------------------------------|
| <b>Cash at bank and<br/>in hand</b> | <b>11,931</b> | <b>13,340</b> | <b>(1,409)</b>                        | <b>13,340</b> | <b>14,040</b> | <b>(700)</b>                          |

**28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

|                                  | Year Ended<br>31 July<br>2007<br>£'000 | Year Ended<br>31 July<br>2006<br>£'000 |
|----------------------------------|----------------------------------------|----------------------------------------|
| Decrease in cash in year         | (1,409)                                | (700)                                  |
| Repayment of debt                | 1,658                                  | 5,631                                  |
| New loans                        | -                                      | -                                      |
| Movement arising from cash flows | 249                                    | 4,931                                  |
| New finance lease                | -                                      | -                                      |
|                                  | <hr/>                                  | <hr/>                                  |
| <b>CHANGE IN NET DEBT</b>        | <b>249</b>                             | <b>4,931</b>                           |
|                                  | <hr/>                                  | <hr/>                                  |
| <b>NET DEBT AT 1 AUGUST 2006</b> | <b>(3,148)</b>                         | <b>(8,079)</b>                         |
|                                  | <hr/>                                  | <hr/>                                  |
| <b>NET DEBT AT 31 JULY 2007</b>  | <b>(2,899)</b>                         | <b>(3,148)</b>                         |

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT - continued**

**ANALYSIS OF CHANGES IN NET DEBT**

|                        | <b>August<br/>2006</b><br>£'000 | <b>Cash<br/>Flows<br/>2007</b><br>£'000 | <b>Other<br/>Movements</b><br>£'000 | <b>July<br/>2007</b><br>£'000 |
|------------------------|---------------------------------|-----------------------------------------|-------------------------------------|-------------------------------|
| Cash in hand, at bank  | 13,340                          | (1,409)                                 | -                                   | <b>11,931</b>                 |
| Debt due within 1 year | (1,654)                         | 1,654                                   | (14,830)                            | <b>(14,830)</b>               |
| Debt due after 1 year  | (14,834)                        | 4                                       | 14,830                              | -                             |
|                        | <b>(3,148)</b>                  | <b>249</b>                              | -                                   | <b>(2,899)</b>                |

**29. CAPITAL COMMITMENTS**

**GROUP AND CORPORATION**

|                       | <b>2007</b><br>£'000 | <b>2006</b><br>£'000 |
|-----------------------|----------------------|----------------------|
| <b>Contracted for</b> | <b>5,123</b>         | <b>5,170</b>         |

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**30. 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.

**31. 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.

Total employees and employers contributions to the Teachers Superannuation Scheme for 2006/07 were £4,448k (2005/06 £4,094k) and for the Staffordshire County Council Superannuation Scheme £3,872k (2005/06 £3,367k).

**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 2004        |
| Actuarial method                                                                      | Prospective benefits |
| Notional Investment returns per annum.                                                | 6.5% per annum       |
| Salary scale increases per annum                                                      | 5.0% per annum       |
| Market value of notional assets at date of last valuation.                            | £162,650 million     |
| Proportion of members' accrued benefits covered by the actuarial value of the assets. | 98.88%               |



**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 2005 to 31 December 2006 the employer contribution was 13.5%. This rate increased to 14.1% from 1 January 2007. Employee contribution rate increased from 6.0% to 6.4% on the same date.

**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 <sup>st</sup> March 2004<br>Unsmoothed |                | 31 <sup>st</sup> March 2001<br>Smoothed |                |
|----------------------------------------------------------------------------------|-------------------------------------------|----------------|-----------------------------------------|----------------|
|                                                                                  | % p.a.<br>Nominal                         | % p.a.<br>Real | % p.a.<br>Nominal                       | % p.a.<br>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<br>(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 2007 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 2007, where appropriate.
- The latest numbers of employees, deferred pensioners and pensioners as at 31 July 2007;
- Employer and employee contributions up to 31 July 2007;
- Actual Fund returns from 1 July 2005 up to 31 March 2007; and
- Any new early retirements from 1 August 2005 to the latest available date of 31 July 2007 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 2007 by a qualified independent actuary.

|                               | At 31 July 2007 | At 31 July 2006 | At 31 July 2005 |
|-------------------------------|-----------------|-----------------|-----------------|
| Inflation                     | 3.3%            | 3.1%            | 2.8%            |
| Rate of increase in salaries  | 4.8%            | 4.6%            | 4.3%            |
| Rate of increase for pensions | 3.3%            | 3.1%            | 2.8%            |
| Discount rate for liabilities | 5.8%            | 5.1%            | 5.0%            |

Changes to the Local Government Pension Scheme (LGPS) under regulation 3 of the LGPS (Amendment) Regulations 2006 (Statutory Instrument 2006/966) permits employees retiring on or after 6 April 2006 to take an extra increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

Our actuaries have made the assumption that 25% of future retirements will elect to commute additional tax-free cash up to HMRC limits.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

The assets in the scheme (of which the Group's share is estimated at 3.1%) and the expected rates of return were:

|                                         | <b>Long-term<br/>rate of return<br/>expected at<br/>31 July 2007</b> | <b>Value at 31<br/>July 2007</b> | <b>Long-term<br/>rate of return<br/>expected at<br/>31 July 2006</b> | <b>Value at 31<br/>July 2006</b> | <b>Long-term<br/>rate of return<br/>expected at<br/>31 July 2005</b> | <b>Value at 31<br/>July 2005</b> |
|-----------------------------------------|----------------------------------------------------------------------|----------------------------------|----------------------------------------------------------------------|----------------------------------|----------------------------------------------------------------------|----------------------------------|
|                                         |                                                                      | £'000                            |                                                                      | £'000                            |                                                                      | £'000                            |
| Equities                                | 8.0%                                                                 | 1,792,000                        | 7.7%                                                                 | 1,595,300                        | 7.3%                                                                 | 1,396,800                        |
| Bonds                                   | 5.2%                                                                 | 299,500                          | 4.7%                                                                 | 253,300                          | 4.7%                                                                 | 212,900                          |
| Property                                | 6.0%                                                                 | 200,500                          | 5.7%                                                                 | 164,600                          | 5.4%                                                                 | 137,700                          |
| Cash                                    | 5.1%                                                                 | 50,800                           | 4.8%                                                                 | 82,000                           | 4.5%                                                                 | 53,000                           |
| <b>Total Market Value<br/>of Assets</b> |                                                                      | <b>2,342,800</b>                 |                                                                      | <b>2,095,200</b>                 |                                                                      | <b>1,800,400</b>                 |

|                                     | <b>Year Ended<br/>31 July 2007</b> | <b>Year Ended<br/>31 July 2006</b> | <b>Year Ended<br/>31 July 2005</b> |
|-------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                                     | £'000                              | £'000                              | £'000                              |
| Group's estimated asset share       | 72,367                             | 62,741                             | 52,875                             |
| Present value of scheme liabilities | (92,738)                           | (93,120)                           | (83,407)                           |
| <b>Deficit in the scheme</b>        | <b>(20,731)</b>                    | <b>(30,379)</b>                    | <b>(30,532)</b>                    |

Under the arrangements of FRS 17, a provision has been made by the Group for the Institution's share of the deficit of the scheme.

**Analysis of the amount charged to the Income and Expenditure Account**

|                                                       | <b>Year Ended<br/>31 July 2007</b> | <b>Year Ended<br/>31 July 2006</b> |
|-------------------------------------------------------|------------------------------------|------------------------------------|
|                                                       | £'000                              | £'000                              |
| Employer service cost (net of employee contributions) | 3,715                              | 3,148                              |
| Past service cost                                     | 85                                 | 86                                 |
| Curtailement and Settlements                          | 9                                  | -                                  |
| <b>Total Operating Charge</b>                         | <b>3,809</b>                       | <b>3,324</b>                       |

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**Analysis of pension finance income/costs**

|                                          | <b>Year Ended<br/>31 July 2007</b> | <b>Year Ended<br/>31 July 2006</b> |
|------------------------------------------|------------------------------------|------------------------------------|
|                                          | £'000                              | £'000                              |
| Expected return on pension scheme assets | 4,510                              | 3,634                              |
| Interest on pension scheme liabilities   | (4,817)                            | (4,220)                            |
| Pension finance costs                    | <u>(307)</u>                       | <u>(586)</u>                       |

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

|                                                                                   | <b>Year Ended<br/>31 July 2007</b> | <b>Year Ended<br/>31 July 2006</b> |
|-----------------------------------------------------------------------------------|------------------------------------|------------------------------------|
|                                                                                   | £'000                              | £'000                              |
| Actual return less expected return on pension scheme assets                       | 2,917                              | 4,515                              |
| Experience gains and losses arising on the scheme liabilities                     | 61                                 | 24                                 |
| Change in financial and demographic assumptions underlying the scheme liabilities | 7,820                              | (3,490)                            |
| Actuarial gain recognised in STRGL                                                | <u>10,798</u>                      | <u>1,049</u>                       |

**Movement in deficit during the year**

|                                               | <b>Year Ended<br/>31 July 2007</b> | <b>Year Ended<br/>31 July 2006</b> |
|-----------------------------------------------|------------------------------------|------------------------------------|
|                                               | £'000                              | £'000                              |
| Deficit in scheme at 1 August                 | (30,379)                           | (30,532)                           |
| Movement in year:                             |                                    |                                    |
| Current service charge                        | (3,715)                            | (3,148)                            |
| Contributions                                 | 2,729                              | 2,329                              |
| Contributions in respect of unfunded benefits | 597                                | 595                                |
| Past service costs                            | (85)                               | (86)                               |
| Impact of Settlements and Curtailments        | (9)                                | -                                  |
| Net interest on assets                        | (307)                              | (586)                              |
| Actuarial gain                                | 10,798                             | 1,049                              |
| <b>Deficit in scheme at 31 July</b>           | <b><u>(20,371)</u></b>             | <b><u>(30,379)</u></b>             |

**History of experience gains and losses**

|                                                             | <b>Year Ended<br/>31 July<br/>2007</b> | <b>Year Ended<br/>31 July<br/>2006</b> | <b>Year Ended<br/>31 July<br/>2005</b> | <b>Year Ended<br/>31 July<br/>2004</b> | <b>Year Ended<br/>31 July<br/>2003</b> |
|-------------------------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
| Difference between the expected and actual return on assets | 2,917                                  | 4,515                                  | 6,049                                  | 464                                    | (770)                                  |
| % of scheme assets                                          | 4.0%                                   | 7.2%                                   | 11.4%                                  | 1.1%                                   | (2.1%)                                 |
| Experience gains and losses on scheme liabilities           | 61                                     | 24                                     | 3,500                                  | (907)                                  | (2,889)                                |
| % of scheme liabilities                                     | 0.1%                                   | 0.03%                                  | 4.2%                                   | (1.3%)                                 | (4.4%)                                 |
| Total amount recognised in STRGL                            | 10,798                                 | 1,049                                  | (373)                                  | (534)                                  | (11,339)                               |
| % of scheme liabilities                                     | 11.6%                                  | 1.1%                                   | (0.4%)                                 | (0.7%)                                 | (17.4%)                                |

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**32. STUDENTS' UNION**

The University has not consolidated the financial statements of the Staffordshire University Students' Union as it is a separately managed organisation. The accounts of the Students' Union are separately audited by F Mazloomian & Co. The results to 31 July 2007 are summarised below.

Results for the year are:

|                              | <b>2007</b>  | <b>2006</b>       |
|------------------------------|--------------|-------------------|
|                              | £'000        | Restated<br>£'000 |
| <b>INCOME</b>                |              |                   |
| Recurrent block grant        | 615          | 515               |
| Project Support Grants       | 109          | 88                |
| Activity Group Membership    | 26           | 26                |
| Interest Receivable          | 29           | 15                |
| Net Rental Income            | 8            | 9                 |
| Trading Income               | 2,505        | 2,341             |
| Other Income                 | 22           | 31                |
| <b>Total</b>                 | <b>3,314</b> | <b>3,025</b>      |
| <b>EXPENDITURE</b>           |              |                   |
| Trading costs and expenses   | 2,345        | 2,193             |
| Central finance              | 81           | 74                |
| Communication                | 65           | 47                |
| Information Technology       | 20           | 12                |
| Information Services         | 51           | 65                |
| Central Administration       | 115          | 118               |
| Personnel and Development    | 61           | 54                |
| Student Media                | 14           | 8                 |
| Student Advice Centre        | 145          | 103               |
| Student Activities           | 120          | 128               |
| Welcome and Diversity Events | 25           | 17                |
| Representation               | 149          | 152               |
| Community Volunteer Scheme   | 37           | 47                |
|                              | 3,228        | 3,018             |
| <b>Surplus for the Year</b>  | <b>86</b>    | <b>7</b>          |
| <b>SUMMARY BALANCE SHEET</b> |              |                   |
|                              | <b>2007</b>  | <b>2006</b>       |
|                              | £'000        | £'000             |
| Fixed Assets                 | 388          | 519               |
| Net Current Assets           | 504          | 359               |
| Accruals and deferred Income | (144)        | (216)             |
| <b>Total Net Assets</b>      | <b>748</b>   | <b>662</b>        |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**33. ACCESS FUNDS**

|                              | <b>Year to<br/>31 July<br/>2007<br/>£'000</b> | <b>Year to<br/>31 July<br/>2006<br/>£'000</b> |
|------------------------------|-----------------------------------------------|-----------------------------------------------|
| Funding Council Grants       | 836                                           | 886                                           |
| Interest Earned              | 4                                             | 5                                             |
|                              | <b>840</b>                                    | <b>891</b>                                    |
| Disbursements to Students    | <b>(822)</b>                                  | <b>(853)</b>                                  |
| Balance Unspent 31 July 2007 | <b>18</b>                                     | <b>38</b>                                     |

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.

**34. TRAINING AND DEVELOPMENT AGENCY (TDA)**

**(a) Student Bursaries**

|                                                                                | <b>Year to<br/>31 July<br/>2007<br/>£'000</b> | <b>Year to<br/>31 July<br/>2006<br/>£'000</b> |
|--------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Opening fund balance                                                           | 34                                            | 2                                             |
| Net Training and Development Agency grants received in year                    | 246                                           | 216                                           |
| Disbursed to students                                                          | <b>(257)</b>                                  | <b>(184)</b>                                  |
| <b>Balance Unspent at 31 July owing to the Training and Development Agency</b> | <b>23</b>                                     | <b>34</b>                                     |

**(b) Ethnic Minority Recruitment**

|                                                                                |          |          |
|--------------------------------------------------------------------------------|----------|----------|
| Opening fund balance                                                           | 3        | 3        |
| Net Training and Development Agency grants received in year                    | 1        | -        |
| Disbursed to students                                                          | -        | -        |
| Support Payments to Schools                                                    | -        | -        |
| Development                                                                    | -        | -        |
| Administration                                                                 | -        | -        |
| <b>Balance Unspent at 31 July owing to the Training and Development Agency</b> | <b>4</b> | <b>3</b> |

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

### **35. 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. The transactions requiring disclosure under Financial Reporting Standard 8 Related Party Disclosures are as follows:-

Mr N Scott and Professor C J Birch are shareholders in Picture Nation Limited in which the University holds an £18k investment.