

# THE UNIVERSITY OF HULL



## STATEMENT OF ACCOUNTS



The University of Hull  
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Hull  
HU6 7RX  
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*John Parkes, Treasurer*

# FINANCIAL REPORT

## Report of the Treasurer

The University's operating expenditure increased by 7% in 2004-5, its income by only 4.6%. The inevitable result was a fall in its operating surplus, from last year's £3m to only £0.6m, or about 1/2% of turnover, well short of our strategic objective of 3%.

In other respects this result was creditable. It is closely in line with the budgeted surplus of £0.9m, which reflected, for example, the need to provide for a sharp increase in contributions to the University's Pension Fund for non-academic staff. Furthermore, shortfalls in income from overseas students and from research grants and contracts, again necessitated a generally successful mid-year attack on costs.

It may legitimately be asked why a university should even target a surplus. The answer is to allow for investment in its future without major increases in its debt. 2004-5 saw no less than £15.1m of capital expenditure, much of it on development of the 'west campus' (former University of Lincoln site), for the Business School, Hull York Medical School and Faculty of Health and Social Care.

Just under half of this considerable investment in the future was met by grants from the Higher Education Funding Council and other bodies, leaving the University to find £7.7m. Borrowing in the year nevertheless increased by only £2.7m. The remaining £5m came from reduced cash and short-term deposits and management of current assets and liabilities. External debt remains low and there is considerable headroom for future capital expenditure within a new credit facility negotiated in the year.

As to the future, the phased introduction of student variable fees (from 2006 to 2010) should make it easier to deliver annual surpluses. But at the time of writing, pressure on international student recruitment and sharp increases in energy costs are again making achievement of a balanced budget demanding. The successful past efforts of the Vice-Chancellor and his staff will have to be repeated if this is to be achieved and I am grateful to them.

The Finance Director's commentary on the accounts follows.

### **Income**

The University increased its income by 4.6% to £111.2m. The main areas of increase were:

- HEFCE and Teacher Training Agency Grants and related fees, supporting increased activity such as the Hull York Medical School
- NHS contract for nurse training
- Enterprise and reach out activity such as Knowledge Transfer Programmes
- Release of deferred capital grants following receipt of external capital funding

### **Expenditure**

The University's operating costs increased by 7.0% to £110.5m. Within this staff costs rose by 5.4% to £68.4m, representing 61.6% of total income. Much of the increased

staff costs arise from the annual pay award, and the University's higher employer contributions to its pension scheme.

Other Operating Expenses have increased by 8.0% to £37.8m, reflecting increased costs in line with increased activity and income in the Hull York Medical School, the Faculty of Health and Social Care and enterprise and reach out activity.

Depreciation increased by 28% to £3.9m, reflecting recent increases in capital expenditure.

### Results for the year

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

	2004-05 £000	2003-04 £000
Income	111,151	106,240
Expenditure	110,506	103,285
Surplus for the year	645	2,955

### Estates and other projects

The programme of long term maintenance continues, although restricted by the cost pressures that the University experiences, so the University campuses continue to provide a good and attractive environment for staff and students.

£15.1m has been invested in new assets, the most significant being the continued upgrading and conversion of buildings on the west of the campus for the Business School, Hull York Medical School and Faculty of Health and Social Care. Equipment additions amounted to £3.8m, including an environment modelling laboratory.

### Investment Performance

The market value of the University's endowment investment portfolio has increased from £16.8m to £16.9m.

### Other Balance Sheet Movements

The level of debtors in the consolidated accounts has increased from £9.1m to £10.4m. This is due to increases in accrued capital grants (in line with spend on capital projects) and debt from self financed students.

Short term creditors have risen from £25.2m to £37.2m. The main movement here is the inclusion of the University's £9m loan, replacing old borrowing which was classified in long term creditors. Other significant differences are an increase in grants received in advance (up £3.5m to £13.6m) and a decrease in creditors (down £0.8m to £6.8m).

**Cash flow**

Borrowing has increased from £6.3m to £9.0m. Short term investments and cash, taken together, have reduced from £6.4m to £4.6m. Despite this reduction the cash position is strong given the high levels of investment in the University's buildings and equipment.

*John Parkes, Treasurer*

*Keith Stephenson, Finance Director*

# CORPORATE GOVERNANCE STATEMENT

## Summary of the university's Structure of Corporate Governance

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

The university endeavours to conduct its business in accordance with the seven principles identified by the Committee for Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen in its *Guide for Members of Higher Education Governing Bodies in the UK*.

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

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

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

It has a majority of members from outside the University (described as lay members), from whom its Chairman must be drawn. Also included in its members are representatives of the staff of the University and the student body. The lay members receive no fees or payment for the work which they do for the University. The Chairman of Council is Mr J H Robinson.

- **The Senate** is the academic authority of the university and draws its membership from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the university.
- **The Court** is a large, and formally constituted body. It offers a means whereby the wider interests served by the university can be associated with the institution and provides a public forum where members of Court can raise matters about the university. The Court normally meets once a year to receive the Annual Report and Statement of Accounts of the University.

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



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

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

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

Although the Council meets at least three times each academic year, much of its detailed work is initially handled by committees, in particular the Finance Committee (chaired by the Treasurer, Mr J Parkes), the Human Resources Committee (chaired by Mrs S Smith), the Estates Committee (chaired by Mr G Needler), the Nominations Committee (chaired by Mr J H Robinson), the Remuneration Committee (chaired by Mr J H Robinson), the Ethics Committee (chaired by Professor G Brown) and the Audit Committee (chaired by Mrs N Duncumb). The decisions of these committees are formally reported to the Council.

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

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

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

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

## Responsibilities of the Council of the University of Hull

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

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the university and enable it

to ensure that the financial statements are prepared in accordance with the university's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council for the university, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the university and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently.
- judgements and estimates are made that are reasonable and prudent.
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- financial statements are prepared on a going-concern basis unless it is inappropriate to presume that the University will continue in operation.

The Council has taken reasonable steps to:

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

## Statement of Internal Control

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the



nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2005 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, the Council has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established.

- The plans and strategic direction of the institution are reviewed at regular intervals.
- Consideration of periodic reports from the Chairman 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 of responsibility, including progress reports on key projects.

The SMT monitoring group, which replaces the risk management group, accepting responsibility for risk evaluation and management of the risk management process.

- Regular reports to the Audit Committee from the head of internal audit, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- A programme of facilitated focus groups has been held to identify the risks facing the organisation.
- Risk awareness forms part of the briefing seminar for Heads of Departments as part of the Planning and Budget round. Risk assessment is an integral part of those processes and each area is required to compile a risk register. During 2004/05 the University was subject to review by the HEFCE Audit service and risk management processes were adjudged to provide a high level of assurance.
- A system of key performance and risk indicators.
- A risk prioritisation methodology based on risk ranking.
- Maintenance of an organisation-wide risk register, which has been revised by the Senior Management Team.

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

The Council's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

## Council - Statement of Primary Responsibilities

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

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

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

# INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE UNIVERSITY OF HULL

We have audited the financial statements on pages 16 to 42 which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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

## Respective Responsibilities of the University's Council and the auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the funding agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the Council/ Board of Governors' Report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We have also, at the request of the Council, reviewed whether the statements on pages 4 to 9 reflect the University's compliance with the relevant provisions of the Combined Code specified for our review in so far as they apply to the Higher Education Sector, and we report if it does not. We are not required to consider whether the statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Treasurers' Report, and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of Opinion

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

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

## Opinion

In our opinion:

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

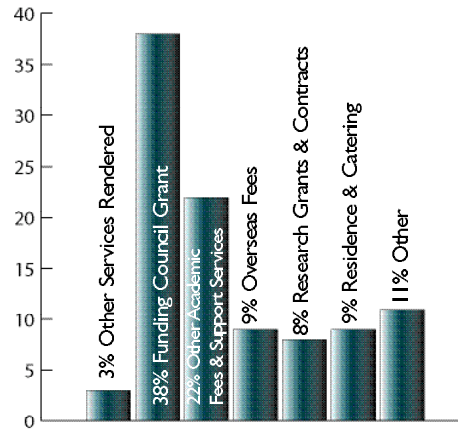
KPMG LLP

*Chartered Accountants*

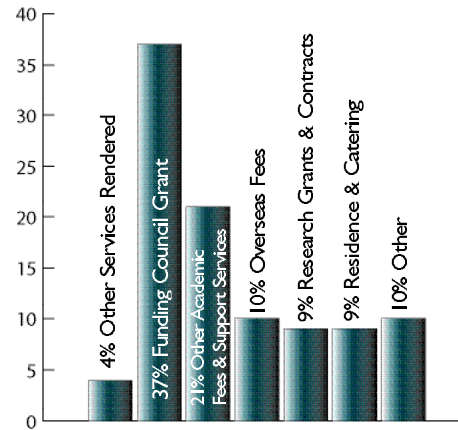
*Registered Auditor*

# ILLUSTRATION OF INCOME AND EXPENDITURE

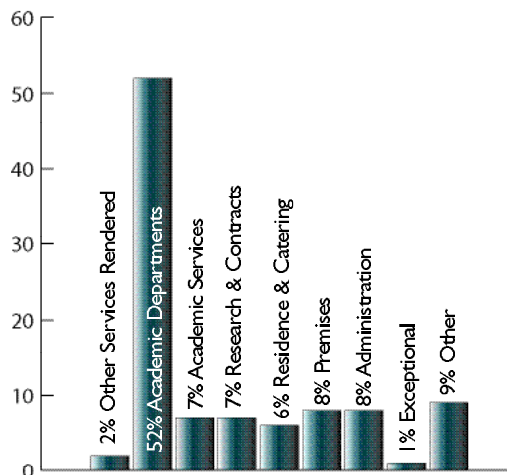
Income  
2004 – 2005



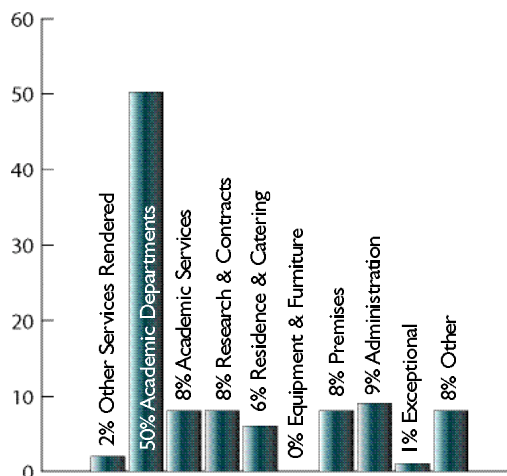
Income  
2003 – 2004



Expenditure  
2004 – 2005



Expenditure  
2003 – 2004





# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## 1. Accounting convention

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

## 2. Basis of consolidation

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

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

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

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

## 3. Provisions for liabilities and charges

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

## 4. Recognition of income

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

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

## 5. Pensions

The two principal pension schemes for the university's staff are the Universities Superannuation Scheme for academic and academic-related staff and the University of Hull Pension and Assurance Scheme for other staff. The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. Pension costs are assessed in accordance with the advice of the actuaries to each scheme, based on the latest actuarial valuations of the schemes, and are brought to account on the basis of charging the costs of providing pensions over the period during which the university benefits from the employees' services. Variations from regular cost are spread over the expected average remaining working life of members of the schemes after making allowances for future withdrawals. A small number of staff remain in other pension schemes.

## 6. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates and the resulting exchange differences are included in the determination of the surplus or deficit for the year.

## 7. Leases

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

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

## 8. Land and buildings

Land and buildings are stated at cost or valuation. Land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of 50 years or the length of lease for leasehold properties. From financial year 2003/04 no depreciation is charged in the year of acquisition.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

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

## 9. Equipment

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

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

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

From financial year 2003/04 no depreciation is charged in the year of acquisition.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment (the period of the grant by financial year in respect of specific research projects).

## 10. Maintenance of premises

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

## 11. Endowment Asset Investments

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

## 12. Stocks

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

## 13. Cash flows and liquid resources

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

## 14. Taxation status

The university is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the university is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The university receives no similar exemption in respect of Value Added Tax.

# Consolidated income and expenditure account

for the year ended 31 July 2005

	Note	2005 £000	2004 £000
<b>INCOME</b>			
Funding Council Grants	1	42,085	39,346
Tuition Fees and Education Contracts	2	34,473	32,813
Research Grants and Contracts	3	9,120	9,988
Other Income	4	24,640	23,337
Endowment and Investment Income	5	833	756
<b>TOTAL INCOME</b>		<b>111,151</b>	<b>106,240</b>
<b>EXPENDITURE</b>			
Staff Costs	6	68,192	64,702
Other Operating Expenses	7	37,750	34,947
Depreciation	10	3,949	3,082
Interest Payable	8	363	317
		<b>110,254</b>	<b>103,048</b>
Exceptional Staff Costs	6	252	237
<b>TOTAL EXPENDITURE</b>	<b>9</b>	<b>110,506</b>	<b>103,285</b>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		645	2,955
Surplus on Disposal of Tangible Fixed Assets		0	0
Taxation		0	0
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets and tax	<b>20</b>	<b>645</b>	<b>2,955</b>

The income and expenditure account is in respect of continuing activities

# Balance sheets as at 31 July 2005

	Note	Consolidated		University	
		2005	2004	2005	2004
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible Assets	10	70,876	59,716	70,876	59,716
Investments	11	3	3	1,685	1,685
		70,879	59,719	72,561	61,401
<b>ENDOWMENT ASSETS</b>	12	16,935	16,778	16,935	16,778
<b>CURRENT ASSETS</b>					
Stocks		68	82	68	82
Debtors	13	10,432	9,111	12,779	11,531
Investments		3,284	5,208	3,284	5,208
Cash at Bank and in Hand		1,274	1,164	503	593
		15,058	15,565	16,634	17,414
<b>CREDITORS: AMOUNTS FALLING</b>					
<b>DUE WITHIN ONE YEAR</b>	14	(37,204)	(25,155)	(37,272)	(25,223)
<b>NET CURRENT LIABILITIES</b>		(22,146)	(9,590)	(20,638)	(7,809)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		65,668	66,907	68,858	70,370
<b>CREDITORS: AMOUNTS FALLING</b>					
<b>DUE AFTER MORE THAN ONE YEAR</b>	15	0	(6,000)	(2,169)	(8,345)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(556)	(1,694)	(556)	(1,694)
<b>NET ASSETS</b>		65,112	59,213	66,133	60,331
<b>DEFERRED CAPITAL GRANTS</b>	17	35,466	30,369	35,466	30,369
<b>ENDOWMENTS</b>					
Specific	18	10,330	10,173	10,330	10,173
General	18	6,605	6,605	6,605	6,605
		16,935	16,778	16,935	16,778
<b>RESERVES</b>					
Revaluation Reserve	19	2,704	2,751	2,704	2,751
Income and Expenditure Account	20	10,007	9,315	11,028	10,433
Total Reserves		12,711	12,066	13,732	13,184
<b>TOTAL</b>		65,112	59,213	66,133	60,331

The financial statements on pages 16 to 42 were approved by the Council on 5 December 2005, and signed on its behalf by:

MR J. H. ROBINSON (Chairman of Council) • MR J. A. PARKES (Treasurer) • PROFESSOR D. J. DREWRY (Vice-Chancellor)

## Consolidated cash flow statement

for the year ended 31 July 2005

		2005	2004
	Note	£000	£000
CASH FLOW FROM OPERATING ACTIVITIES	23	2,758	742
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	24	450	475
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25	(7,672)	(2,866)
MANAGEMENT OF LIQUID RESOURCES	26	1,924	2,114
FINANCING	27	2,650	(345)
INCREASE IN CASH IN THE YEAR		110	120

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

	2005	2004
	£000	£000
Increase in cash in the year	110	120
Cash(outflow) from liquid resources	(1,924)	(2,114)
Change in net debt resulting from cash flows	(1,814)	(1,994)
(Increase in Debt)/Repayment of Debt	(2,650)	345
MOVEMENT IN NET FUNDS IN THE PERIOD	(4,464)	(1,649)
Net Funds at 1 August	22	1,671
NET (DEBT)/FUNDS AT 31 JULY	(4,442)	22



## Statement of consolidated total recognised gains and losses for the year ended 31 July 2005

		2005	2004
	Note	£000	£000
Surplus on continuing operations after Depreciation of Assets at Valuation and Disposal of Tangible Fixed Assets		645	2,955
Appreciation/(Depreciation) of Endowment Asset Investments	18	123	(27)
Endowment Income (Released)/Retained for Year		(20)	36
New Endowments	18	54	263
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<b>802</b>	<b>3,227</b>

### Reconciliation

Opening Reserves and Endowments	28,844
Total recognised gains for the year	802
Closing Reserves and Endowments	29,646

## Consolidated statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2005

Surplus on continuing operations before taxation	645	2,955
Difference between an Historical Cost Depreciation Charge and the actual Depreciation Charge for the Year Calculated on the Revalued Amount	19	47
<b>Historical Cost Surplus for the year before and after taxation</b>	<b>692</b>	<b>3,002</b>

# Notes to the accounts

	2005	2004
	£000	£000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant	35,471	32,607
Specific Grants		
TTA	2,562	2,352
JISC	401	215
Other	2,059	3,009
Deferred Capital Grants Released in Year (note 17)	1,592	1,163
	<u>42,085</u>	<u>39,346</u>

Funding Council Grants represent grants from the Higher Education Funding Council for England and the Teacher Training Agency.

2. TUITION FEES AND EDUCATION CONTRACTS		
Full-time Students	20,091	18,459
Full-time Students Charged Overseas Fees	10,146	10,930
Part-time Students	2,359	1,850
Research Training Support Grants	736	433
Short Course Fees	1,141	1,141
	<u>34,473</u>	<u>32,813</u>

3. RESEARCH GRANTS AND CONTRACTS		
Research Councils	1,883	2,530
UK Charities	1,751	2,030
UK Central Government	1,054	740
Local Authorities	156	150
Health & Hospitals	739	784
UK Industry	1,701	1,819
EU	1,159	1,426
Overseas	677	509
	<u>9,120</u>	<u>9,988</u>

# Notes to the accounts

	2005	2004
	£000	£000
4. OTHER INCOME		
Residences, Catering and Conferences	9,724	9,267
Other Services Rendered	3,915	3,830
Health Authorities	4,679	4,944
Other Donations	128	27
Released from Deferred Capital Grants	437	127
Other Income	5,757	5,142
	<u>24,640</u>	<u>23,337</u>
5. ENDOWMENT AND INVESTMENT INCOME		
Transferred from Specific Endowments (note 18)	201	107
Income from General Endowment Asset Investments (note 18)	315	257
Income from Short Term Investments	317	392
	<u>833</u>	<u>756</u>
6. STAFF		
Staff Costs:		
Wages and Salaries	55,632	53,811
Social Security Costs	4,501	4,417
Other Pension Costs	8,059	6,474
	<u>68,192</u>	<u>64,702</u>
Exceptional Staff Costs (note 16)	252	237
	<u>68,444</u>	<u>64,939</u>
Emoluments of the Vice-Chancellor	<u>153</u>	<u>144</u>

The emoluments of the Vice-Chancellor excludes the University's pension contributions to USS on his behalf which amounted to £13,700 (2004: £14,001). Other contributions in the year include £9,480 (2004: £17,160) paid as additional pension contributions.

Total emoluments therefore comprised £176,180 (2004: £175,161).

# Notes to the accounts

	2005	2004
	Number	Number
6. STAFF ( <i>continued</i> )		
Average Staff Numbers by Major Category		
Academic/Clinical	1,114	1,159
Technical	126	134
Administrative	428	411
Other	338	330
	<u>2,006</u>	<u>2,034</u>

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

	No. of Staff		No. of Staff	
	*		*	
£190,000 - £199,999	1	0	0	0
£180,000 - £189,999	0	0	0	0
£170,000 - £179,999	0	0	1	0
£160,000 - £169,999	3	0	0	0
£150,000 - £159,999	0	0	1	0
£140,000 - £149,999	1	0	0	0
£130,000 - £139,999	0	1	3	0
£120,000 - £129,999	2	1	3	1
£110,000 - £119,999	5	0	3	1
£100,000 - £109,999	4	2	2	1
£90,000 - £99,999	3	0	3	2
£80,000 - £89,999	0	3	1	0
£70,000 - £79,999	1	3	4	4

## Notes to the accounts

	2005	2004
	£000	£000
7. OTHER OPERATING EXPENSES		
Residences, Catering and Conferences	3,787	3,698
Consumables and Laboratory Expenditure	12,698	11,184
Books and Periodicals	1,123	1,102
Fellowships, Scholarships and Prizes	907	1,081
Heat, Light, Water and Power	1,223	988
Repairs and General Maintenance	669	793
Planned Maintenance	1,319	1,143
Rent, Rates and Insurance	627	798
Grants to University's Students' Union	726	652
Research Grants and Contracts	3,348	3,444
Services Rendered	1,140	1,030
Auditors' Remuneration	35	68
Auditors' Remuneration re Non-Audit Services	4	0
Bad and Doubtful Debts	655	460
Other Expenses	9,489	8,506
	<u>37,750</u>	<u>34,947</u>

# Notes to the accounts

	2005	2004
	£000	£000
8. INTEREST PAYABLE		
Bank and other Loans repayable within 1 year	112	0
Bank and other Loans wholly or partly repayable in more than 5 years	251	313
On Finance Leases	0	4
	<u>363</u>	<u>317</u>

## 9. ANALYSIS OF 2004 - 2005 EXPENDITURE BY ACTIVITY

	Staff Costs	Depreciation	Other Operating Expenditure	Interest Payable	Total
	£000	£000	£000	£000	£000
Academic Departments	43,203	1,012	12,698	0	56,913
Academic Services	4,347	411	3,025	0	7,783
Research Grants and Contracts	4,253	291	3,348	0	7,892
Residences, Catering and Conferences	2,307	414	3,787	363	6,871
Premises	4,000	1,188	4,210	0	9,398
Administration	5,925	36	3,144	0	9,105
Services Rendered	1,024	0	1,140	0	2,164
Other Expenses	3,133	597	6,398	0	10,128
	<u>68,192</u>	<u>3,949</u>	<u>37,750</u>	<u>363</u>	<u>110,254</u>
Exceptional Staff Costs	252	0	0	0	252
	<u>68,444</u>	<u>3,949</u>	<u>37,750</u>	<u>363</u>	<u>110,506</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released ( <i>note 17</i> )	2,320
Revaluation Reserve Released ( <i>note 19</i> )	47
General Income	1,582
	<u>3,949</u>



# Notes to the accounts

	Consolidated and University			
	Land & Buildings		Equipment	Total
	Freehold	Leasehold		
	£000	£000	£000	£000
10. TANGIBLE ASSETS				
Cost/Valuation:				
At 1 August 2004				
Cost/Valuation	62,672	865	26,432	89,969
Additions at Cost	11,346	0	3,763	15,109
At 31 July 2005	74,018	865	30,195	105,078
Depreciation:				
At 1 August 2004	11,541	344	18,368	30,253
Charge for the year	1,220	43	2,686	3,949
At 31 July 2005	12,761	387	21,054	34,202
Net Book Value				
At 31 July 2005	61,257	478	9,141	70,876
Net Book Value				
At 1 August 2004	51,131	521	8,064	59,716

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

Buildings with a net book value of £24,398,224 (2004: £21,137,815) have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England. Land and Buildings and Equipment at 31 July 2005 include £393,457 (2004: £912,645) of assets in the course of construction which are not depreciated until completed.

The net book value of tangible assets includes an amount of £nil (2004: £32,889) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £32,889 (2004: £32,888).

# Notes to the accounts

Consolidated		University	
2005	2004	2005	2004
£000	£000	£000	£000

## 11. FIXED ASSET INVESTMENTS

3	3	1,685	1,685
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University investments relate solely to interests in subsidiary undertakings and other companies in which the University has an interest, as follows:

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

All of the above companies operated entirely in their country of incorporation.

Group investments relate to the holdings in Knowledge Base (UK), IT Interface, Micro Chemical Systems and Kingston Chemicals. With the exception of Kingston Chemicals Ltd, these companies are associated companies by virtue of the University's shareholding or influence. However they have not been accounted for as associated companies as they are not material to the assets or results of the University.

## Consolidated and University

2005	2004
£000	£000

## 12. ENDOWMENT ASSET INVESTMENTS

At 1 August	16,778	16,506
Additions	10,538	5,140
Increase/(Decrease) in cash balances	68	(698)
Disposals	(10,572)	(4,143)
Appreciation/(Depreciation) on Revaluation	123	(27)
At 31 July	16,935	16,778
Fixed Interest Stocks	2,942	2,845
Bank Balances	13,993	13,933
	16,935	16,778
Fixed Interest Stocks at Cost	2,816	2,806

# Notes to the accounts

	Consolidated		University	
	2005	2004	2005	2004
	£000	£000	£000	£000
13. DEBTORS				
Debtors	9,075	7,824	9,075	7,824
Amounts owed by subsidiary undertakings	0	0	2,347	2,420
Prepayments and Accrued Income	1,357	1,287	1,357	1,287
	10,432	9,111	12,779	11,531

Amounts fall due within one year except for £1,892,000 (2004: £2,085,000) of the element owed by subsidiaries.

	Consolidated		University	
	2005	2004	2005	2004
	£000	£000	£000	£000
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Grants and Donations Received in Advance	13,586	10,026	13,586	10,026
Obligations under Finance Leases (note 22)	0	32	0	32
Credit Facility	9,000	0	9,000	0
Secured Bank Loan (note 15)	0	68	0	68
Unsecured Bank Loan (note 15)	0	250	0	250
Creditors	6,841	7,596	6,841	7,596
Amounts owed to subsidiary undertakings	0	0	68	68
Social Security and other Taxation Payable	1,993	1,707	1,993	1,707
Accruals and Deferred Income	5,784	5,476	5,784	5,476
	37,204	25,155	37,272	25,223

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

# Notes to the accounts

Consolidated		University	
2005	2004	2005	2004
£000	£000	£000	£000

## 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Unsecured Loan	0	4,250	0	4,250
Secured Bank Loan	0	1,750	0	1,750
Amounts owed to subsidiary undertakings	0	0	2,169	2,345
	0	6,000	2,169	8,345

Credit Facility (2004: Loans) is repayable as follows:

Consolidated	
2005	2004
£000	£000

Less than one year	9,000	318
Between one and two years	0	319
Between two and five years	0	984
In five years or more	0	4,697
	9,000	6,318

# Notes to the accounts

## Consolidated and University

Pension	Restructuring	Total
£000	£000	£000

### 16. PROVISION FOR LIABILITIES AND CHARGES

At 1 August 2004	326	1,368	1,694
Expenditure in Year	(32)	(1,358)	(1,390)
Transfer from Income & Expenditure Account (Note 6)	0	252	252
At 31 July 2005	294	262	556

The restructuring provision relates to an early retirement and severance scheme announced in April 1999, which has continued during years 2000/01 and 2001/02. In addition a further scheme with revised terms was introduced in 2002/03 and continued in 2003/04 and 2004/05. The balance of £262,000 at 31 July 2005 relates to staff who have been accepted under the terms of these schemes and who are due to leave over the next year. The pension enhancement provision of £294,000 represents the present value of future pension enhancements in respect of former University College Scarborough employees who have taken early retirement.

## Consolidated and University

Funding Council	Other Grants & Benefactions	Total
£000	£000	£000

### 17. DEFERRED CAPITAL GRANTS

At 1 August 2004			
Buildings	21,138	4,347	25,485
Equipment	3,234	1,650	4,884
	24,372	5,997	30,369
Received in Year			
Buildings	3,803	807	4,610
Equipment	2,551	256	2,807
	6,354	1,063	7,417
Released in year			
Buildings	(543)	(121)	(664)
Equipment	(1,049)	(607)	(1,656)
	(1,592)	(728)	(2,320)
At 31 July 2005			
Buildings	24,398	5,033	29,431
Equipment	4,736	1,299	6,035
	29,134	6,332	35,466

# Notes to the accounts

## Consolidated and University

Specific	General	Total
£000	£000	£000

### 18. ENDOWMENTS

At 1 August 2004	10,173	6,605	16,778
Additions	54	0	54
Appreciation of Endowment Asset Investments	123	0	123
Income for Year	181	315	496
Transferred to Income and Expenditure Account (note 5)	(201)	(315)	(516)
At 31 July 2005	10,330	6,605	16,935

#### Representing:

Fellowships and Scholarships Funds	1,789	0	1,789
Prizes Funds	326	0	326
Chairs and Lectureships Funds	1,495	0	1,495
Other Funds	6,720	6,605	13,325
	10,330	6,605	16,935

## Consolidated

£000

## University

£000

### 19. REVALUATION RESERVE

At 1 August 2004	2,751	2,751
Released in Year (note 9)	(47)	(47)
At 31 July 2005	2,704	2,704



# Notes to the accounts

	Consolidated	University
	£000	£000
20. INCOME AND EXPENDITURE ACCOUNT		
At 1 August 2004	9,315	10,433
Surplus for the year after Depreciation of Assets at Valuation	645	548
Release from Revaluation Reserve	47	47
At 31 July 2005	10,007	11,028

	Consolidated and University	
	2005	2004
	£000	£000
21. CAPITAL COMMITMENTS		
Commitments contracted for at 31 July	4,765	2,607

	Consolidated and University	
	2005	2004
	£000	£000
22. LEASE OBLIGATIONS		
Obligations under finance leases fall due as follows:		
Within one year ( <i>note 14</i> )	0	32

# Notes to the accounts

	2005	2004
	£000	£000
23. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Surplus	645	2,955
Depreciation ( <i>note 10</i> )	3,949	3,082
Deferred Capital Grants Released to Income ( <i>note 17</i> )	(2,320)	(1,656)
Investment Income ( <i>note 5</i> )	(833)	(756)
Interest Payable ( <i>note 8</i> )	363	317
Decrease in Stocks	14	21
(Increase) in Debtors	(1,321)	(251)
Increase/(Decrease) in Creditors	3,399	(1,510)
(Decrease) in Provisions	(1,138)	(1,460)
Net Cash Inflow from Operating Activities	2,758	742
24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from endowments ( <i>note 18</i> )	496	400
Income from short term investments ( <i>note 5</i> )	317	392
Interest paid ( <i>note 8</i> )	(363)	(317)
Net cash inflow from returns on investments and servicing of finance	450	475
25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Tangible fixed assets and investments acquired ( <i>note 10</i> )	(15,109)	(8,318)
Endowment asset investments acquired ( <i>note 12</i> )	(10,606)	(4,442)
Sales of endowment asset investments ( <i>note 12</i> )	10,572	4,143
Deferred Capital Grants Received ( <i>note 17</i> )	7,417	5,488
Endowments Received ( <i>note 18</i> )	54	263
Net cash (outflow) from capital expenditure and financial investment	(7,672)	(2,866)

# Notes to the accounts

	2005	2004
	£000	£000
26. MANAGEMENT OF LIQUID RESOURCES		
Decrease in short term deposits	1,924	2,114
Inflow from management of liquid resources	1,924	2,114

			2005	2004
			£000	£000
27. FINANCING	Finance Leases	Loans/ Credit Facility	Total	Total
Balance at 1 August	32	6,318	6,350	6,695
Capital Repayments	(32)	(6,318)	(6,350)	(345)
Credit Facility	0	9,000	9,000	0
Balance at 31 July	0	9,000	9,000	6,350

	At 1 August 2004	Cash Flow	Other Changes	At 31 July 2005
	£000	£000	£000	£000
28. ANALYSIS OF CHANGES IN NET DEBT				
Cash at Bank and in Hand	1,164	110	0	1,274
Liquid Resources:				
Short term deposits	5,208	(1,924)	0	3,284
	6,372	(1,814)	0	4,558
Debt Due within one year	(318)	(8,630)	(52)	(9,000)
Debt Due after one year	(6,000)	6,000	0	0
Finance Leases	(32)	32	0	0
	(6,350)	(2,598)	(52)	(9,000)
	22	(4,412)	(52)	(4,442)

# Notes to the accounts

## 29. PENSION SCHEMES

### (a) Universities Superannuation Scheme ("USS")

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

The latest valuation of the scheme was at 31 March 2002. The assumptions which have the most significant effect on the valuation, are those relating to the rate of return on investments (ie. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0% per annum, that the rate of increase in salaries would be 3.7% per annum and that of pensions in payment, 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1% per annum, that the rate of increase in salaries would be 3.7% per annum and pensions in payment, 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £15.4bn and the value of the past service liabilities was £15.2bn leaving a surplus of £162m. The assets were therefore sufficient to cover 101% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate would be maintained at 14% of salaries. To fund this 0.25% reduction for the period of 11 years from the date of the valuation (the average outstanding working lifetime of the members of the scheme) required the use of £82.5m of the surplus. This left a past service surplus of £4.5m (including the Supplementary Section) to be carried forward.

The total pension contributions paid by the University to the USS during the year amounted to £4,714,621 (2004: £4,517,244). The contribution rate payable by the University was 14% of pensionable salaries.

### (b) University of Hull Pension and Assurance Scheme

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

The contributions to the final salary scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last actuarial valuation was carried out at 6 April 2003. The market value of the scheme assets at that date excluding additional voluntary contributions was £27.6 million. The actuarial value of these assets was £30.2 million.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investment and to the rates of increase in pay and pensions. It was assumed that the investment returns would exceed pay increases by an average 2.5% per annum. On this basis the scheme was funded at 85%.

Employer contributions to the scheme during the year totalled £2,613,013 (2004: £1,303,841). Following the actuarial valuation at 6 April 2003 and in order to comply with the Minimum Funding Requirements laid down by law, the University increased its contribution rate from 13.15% to 32.65% of pensionable salaries with effect from 1 June 2004. This was subsequently reduced to a rate of 25.40% with effect from 1 June 2005 which reflected major changes in the scheme Trust Rules and Deeds, including a change to the employee contribution rate.

# Notes to the accounts

## c) Other Pensions Schemes

A small number of staff remain in other pension schemes. Employer contributions to such schemes totalled £731,366 during the year (2004: £652,866).

## (d) Financial Reporting Standard 17

Full implementation of the standard has been delayed following an announcement from the Accounting Standards Board until accounting year ending 31 July 2006. Meanwhile the following disclosures are required under the transitional arrangements for FRS 17:

### i) Universities Superannuation Scheme

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are brought to account as if the scheme were a defined contribution scheme. Once FRS 17 is implemented the cost will be recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

### ii) University of Hull Pension and Assurance Scheme

A full actuarial valuation of this scheme was carried out at 6 April 2003 and financial assumptions updated to 31 July 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	2005	2004	2003
Rate of increase in salaries	3.2%	3.5%	3.1%
Rate of increase in pensions in payment	3.0%	3.0%	3.0%
Discount rate	5.1%	5.8%	5.4%
Inflation assumption	2.7%	3.0%	2.6%

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

	Long-term expected return	2005 £000	Long-term expected return	2004 £000	Long-term expected return	2003 £000
Equities	7.20%	30,031	7.50%	23,151	7.6%	23,563
Bonds	4.70%	7,853	5.40%	5,951	4.9%	6,393
Property	6.90%	1,749	7.50%	1,567		0
Cash/Other	4.50%	1,588	4.75%	1,570	3.5%	230
		<u>41,221</u>		<u>32,239</u>		<u>30,186</u>

# Notes to the accounts

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

	2005 £000	2004 £000	2003 £000
Total market value of assets	41,221	32,239	30,186
Present value of scheme liabilities	(56,748)	(48,011)	(45,528)
(Deficit) in the scheme	(15,527)	(15,772)	(15,342)

The following amounts would have been recognised in the performance statements in the year to 31 July 2005 under the requirements of FRS 17:

	2005 £000	2004 £000
OPERATING PROFIT		
Current service cost	1,218	1,289
Past service cost	154	0
Total Operating Charge	1,372	1,289
OTHER FINANCE INCOME		
Expected return on pension scheme assets	2,316	2,103
Interest on pension scheme liabilities	(2,791)	(2,456)
Net Return	(475)	(353)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)		
Actual return less expected return on pension scheme assets	4,580	69
Experience gains and losses arising on scheme liabilities	(20)	(2,109)
Changes in assumptions underlying the present value of the scheme liabilities	(5,392)	2,131
Actuarial (loss)/gain recognised in STRGL	(832)	91

# Notes to the accounts

	2005	2004
	£000	£000
MOVEMENT IN (DEFICIT) DURING THE YEAR		
(Deficit) in scheme at beginning of the year	(15,772)	(15,342)
Movement in the year:		
Current service cost	(1,218)	(1,289)
Contributions	2,924	1,121
Past service costs	(154)	0
Other financial income	(475)	(353)
Actuarial (loss)/gain	(832)	91
(Deficit) in scheme at end of year	(15,527)	(15,772)

Following the actuarial valuation at 6 April 2003 and in order to comply with the Minimum Funding Requirements laid down by law, the University increased its contribution rate from 13.15% to 32.65% of pensionable salaries with effect from 1 June 2004. This was subsequently reduced to a rate of 25.4% with effect from 1 June 2005 which reflected major changes in the scheme Trust Rules and Deeds, including a change to the employee contribution rate.

## DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2005

	2005	2004	2003	2002
Differences between the expected and actual return on scheme assets:				
Amount (£000)	4,580	69	(1,019)	(8,351)
Percentage of scheme assets	14%	0%	(3%)	(28%)
Experience gains and losses on scheme liabilities:				
Amount (£000)	(20)	(2,109)	0	(92)
Percentage of the present value of the scheme liabilities	(0%)	(5%)	0%	(0%)
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	(831)	91	(6,128)	(5,149)
Percentage of the present value of the scheme liabilities	(2%)	0%	(13%)	(13%)

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

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

A full actuarial valuation of this scheme was carried out at 31 March 2004 and financial assumptions updated 31 July 2005 by a qualified actuary. The major assumptions used by the actuary were:

	2005	2004	2003
Rate of increase in salaries	4.4%	4.3%	4.0%
Rate of increase in pensions in payment	2.7%	2.8%	2.5%
Discount rate	5.0%	5.7%	5.5%
Inflation assumption	2.7%	2.8%	2.5%

## Notes to the accounts

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

	Long-term expected return	2005 £000	Long-term expected return	2004 £000	Long-term expected return	2003 £000
Equities	7.5%	1,923	7.5%	1,509	7.5%	1,311
Bonds	5.0%	514	5.5%	373	5.5%	292
Property/Cash/Other	4.8%	32	4.5%	105	3.8%	48
		<u>2,469</u>		<u>1,987</u>		<u>1,651</u>

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

	2005 £000	2004 £000	2003 £000
Total market value of assets	2,469	1,987	1,651
Present value of scheme liabilities	(3,934)	(3,268)	(2,844)
(Deficit) in the scheme	<u>(1,465)</u>	<u>(1,281)</u>	<u>(1,193)</u>



# Notes to the accounts

The following amounts would have been recognised in the performance statements in the year to 31 July 2005 under the requirements of FRS 17:

	2005	2004
	£000	£000
OPERATING PROFIT:		
Current service cost	197	185
Past service cost	-	-
Total Operating Charge	197	185
	£000	£000
OTHER FINANCE INCOME:		
Expected return on pension scheme assets	139	122
Interest on pension scheme liabilities	(188)	(162)
Net Return	(49)	(40)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)		
Actual return less expected return on pension scheme assets	291	1
Experience gains and losses arising on scheme liabilities	98	-
Changes in assumptions underlying the present value of the scheme liabilities	(521)	(62)
Actuarial (loss) recognised in STRGL	(132)	(61)
	£000	£000
MOVEMENT IN (DEFICIT) DURING THE YEAR		
(Deficit) in scheme at beginning of the year	(1,281)	(1,193)
Movement in the year:		
Current service cost	(197)	(185)
Contributions	194	198
Past service costs	-	-
Other financial income	(49)	(40)
Actuarial (loss)	(132)	(61)
(Deficit) in scheme at end of year	(1,465)	(1,281)

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

# Notes to the accounts

## DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2005

	2005	2004	2003	2002
Differences between the expected and actual return on scheme assets:				
Amount (£000)	291	1	(33)	(415)
Percentage of scheme assets	12%	0%	(2%)	(27%)
Experience gains and losses on scheme liabilities:				
Amount (£000)	98	0	0	0
Percentage of the present value of the scheme liabilities	2%	0%	0%	0%
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	(132)	(61)	(293)	(415)
Percentage of the present value of the scheme liabilities	(3%)	(2%)	(10%)	(17%)

If the above amounts had been recognised in the financial statements, the group's net assets and income and expenditure reserves at 31 July each year would be as follows:

	2005 £000	2004 £000	2003 £000
Net assets excluding pension liability	65,112	59,213	52,154
Pension liability-UOH	(15,527)	(15,772)	(15,342)
Pension liability-NYPF	(1,465)	(1,281)	(1,193)
Net assets including pension liability	48,120	42,160	35,619
Income and expenditure reserve excluding pension liability	10,007	9,315	6,009
Pension liability-UOH	(15,527)	(15,772)	(15,342)
Pension liability-NYPF	(1,465)	(1,281)	(1,193)
Income and expenditure reserve including pension liability	(6,985)	(7,738)	(10,526)

# Notes to the accounts

## Consolidated and University

	2005	2004
	£000	£000
30. ACCESS FUNDS		
Balance brought forward at 1 August	0	24
Funding Council Grants	935	904
Interest earned	9	7
	944	935
Disbursed to students	(936)	(935)
Balance unspent at 31 July	8	0

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

## 31. TTA BURSARY FUNDS

	ITT TRAINING BURSARIES	SECONDARY SHORTAGE SUBJECTS	HOLDBACK PROCEEDS	TOTAL
	£000	£000	£000	£000
Balance brought forward at 1 August 2004	118	0	1	119
TTA Grants	1,520	39	9	1,568
	1,638	39	10	1,687
Disbursed to students	(1,580)	(36)	(8)	(1,624)
Balance unspent at 31 July 2005	58	3	2	63

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

## 32. UNIVERSITY COMPANIES AND OTHER INTERESTS

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

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

During the year payments were made to the Trust for donations received amounting to £538 (2004: £29,667). The University payment from the Trust for payments made on its behalf amounted to £3,423 (2004: £3,739). The amount owing to the University at 31 July 2005 was £nil (2004: £nil). The amount owing by the University to the Trust at 31 July 2005 was £9,035 (2004: £15,944).

# Notes to the accounts

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

During the year grants were made from the Trust to the University amounting to £20,771 (2004: £15,486). The amount owing to the University at 31 July 2005 was £1,748 (2004: £1,721).

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

## 33. RELATED PARTY DISCLOSURE

During the year ended 31 July 2005, the University paid a grant of £716,982 (2004: £652,362) to the Students Union. Further payments were made to the Union of £54,601 (2004: £54,325) in respect of goods and other services rendered. The Union made payments to the University of £338,372 (2004: £277,722) in respect of facilities recharges. At 31 July 2005 the University owed the Union £4,152 (2004: £6,270). An amount of £83,506 (2004: £74,663) was owing from the Union to the University.

During the year ended 31 July 2005, the University made payments to EMIH Ltd of £23,380 (2004: £35,142) in respect of the use of and admission to facilities. EMIH Ltd made payments to the University of £14,461 (2004: £6,162) in respect of catering recharges. At the year end the University owed EMIH Ltd £57 (2004: £58). An amount of £nil (2004: £1,675) was owing from EMIH Ltd to the University. The company has charitable status with a Board of nine directors, three of whom are nominees of the University.

During the year ended 31 July 2005, the University made payments to Information by Design Ltd of £587 (2004: £41,550) in respect of design work. Information by Design Ltd made payments to the University of £58,670 (2004: £138,660) in respect of project support services and salary recharges. At the year end the University owed Information by Design Ltd £nil (2004: £nil). An amount of £3,846 (2004: £23,659) was owing from Information by Design Ltd.

During the year ended 31 July 2005, the University made payments to Knowledge Base (UK) Ltd of £6,300 (2004: £161,558) in respect of training. Knowledge Base (UK) Ltd made payments to the University of £3,045 (2004: £3,150) for Teaching Company Schemes. At the year end the University owed Knowledge Base (UK) Ltd £nil (2004: £6,300). An amount of £nil (2004: £3,045) was owing from Knowledge Base (UK) Ltd to the University.

During the year ended 31 July 2005, the University made payments to IT Interface Ltd of £131,477 (2004: £46,996) for IT Training. IT Interface Ltd made payments to the University of £nil (2004: £143) for services rendered. At the year end the University owed IT Interface Ltd £2,338 (2004: £25,363). An amount of £nil (2004: £nil) was owing from IT Interface Ltd to the University.

During the year ended 31 July 2005 the University made payments to Micro Chemical Systems Ltd of £135 (2004: £14,230) for reimbursement of expenses. Micro Chemical Systems Ltd made payments to the University of £23,966 (2004: £86,142) for goods and services. At the year end the University owed Micro Chemical Systems Ltd £2,471 (2004: £2,606). An amount of £nil (2004: £23,966) was owing from Micro Chemical Systems Ltd to the University.

During the year ended 31 July 2005, the University made payments to Kingston Chemicals Ltd of £nil (2004: £1,857) for chemicals and equipment. Kingston Chemicals Ltd made payments to the University of £72,176 (2004: £10,222) for goods and services. At the year end the University owed Kingston Chemicals Ltd £nil (2004: £nil). An amount of £nil (2004: £nil) was owing from Kingston Chemicals Ltd to the University.

## 34. CONTINGENT LIABILITY

Recent decisions handed down by the European Court of Justice (ECJ) may increase the liability for pension of UK part time employers, such as the University of Hull. The implications of the ECJ decision are unclear and clarification is still awaited, following appeals lodged as a result of test cases through an employment tribunal. In view of this uncertainty, no financial provision has been made in the financial statements in relation to this matter.



