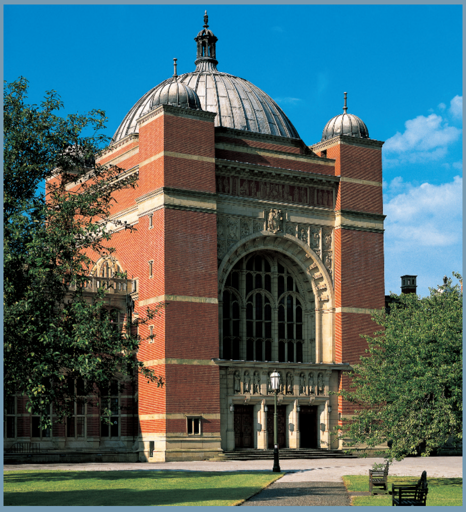
UNIVERSITY OF
BIRMINGHAM

Annual Accounts 2006–07

The University's continued financial strength has positioned it well to face the challenges that will inevitably emerge over the coming years.

Mr Michael Gilbert, University Treasurer



Contents

Report of the Treasurer

I am delighted to be able to present my report on the university's activities for the academic year 2006/07. As I assumed my role, as Treasurer in 2006, the University was in a strong financial position and, one year later, that strength continues to prevail. It positions the University well as it embarks upon major restructuring of its academic business and the services that support it.

The financial viability and sustainability of the University is monitored regularly and carefully by Council by reference to four key indicators.

- Generating an adequate and recurrent surplus
- Using University reserves for investment purposes
- Ensuring sustained investment in facilities
- Maintaining adequate cash resources for working capital purposes.

The performance over recent years is summarised below:

	2006/07 £m	2005/06 £m	2004/05 £m
Income	388.7	354.9	334.4
Expenditure	371.8	338.8	314.4
Operating surplus	16.9	16.1	20.0
Exceptional items	38.8	–	2.1
Surplus for the year	55.7	15.8	22.1
Available reserves	106.4	89.9	84.4
Investment in facilities	61.1	54.6	51.0
Cash and Investments	87.3	17.2	24.5
Loans and Leases	(0.7)	(1.0)	(1.4)

Both the 2006/07 operating surplus and surplus for the year are in line with the predictions reported to Council during the year. The major difference between those figures is the exceptional items of £38.8m. This arose mainly from the disposal of three self catering residential accommodation sites which I reported on briefly last year. The University's student residence strategy has been to reduce and limit the number of places it offers and manages directly.

Consequently, a number of sites were earmarked for disposal when market conditions were considered appropriate. In late 2006, the sale of the Beeches, Hunter Court and Queen's Hospital Close to Liberty Living, was completed. The properties have been leased back to the University for 2006/07 whilst other residential redevelopments are completed to ensure student demand for University places can still be met. After deducting the net book value of the assets from the sales proceeds, the profit on the sale of the three residences was £36.1m. Other smaller property sales generated a profit on disposal of £2.7m. The sale proceeds have increased the investments within current assets significantly.

The cash received from the sale of residences will be reinvested in the redevelopment of Mason Hall, due for completion in the summer of 2008, with 896 self catering places.

Whilst year on year income and expenditure has increased at broadly the same rate of 9.5%, there are individual components which have influenced this

There has been significant growth in fee income by 16.7% to £81.5m. The introduction of additional fees is of course a major component of the increase, but growth in international students – particularly post graduates is also a contributor.

Report of the Treasurer (continued)

Income from research grants and contracts continues to be an important area of focus and has grown by 7.5% – well ahead of inflation. The introduction of full economic costing is beginning to impact very positively across a range of sponsors and this will continue to help improve the financial sustainability of the University.

Endowment income and interest receivable increased by almost £3m or 66%. This is principally due to a very successful management of cash balances and being able to benefit from good short term interest rates.

The University's expenditure analysis has shifted a little this year to 55% on staff costs, 10% on depreciation and 35% on other operating expenses.

Staff costs have increased by 6.1%; due mainly to the continued implementation of the pay frameworks for clinical, academic and related and support staff.

Depreciation continues to grow as the University's capital investment programme is delivered. Indeed the current capital spend continues to exceed £1m per week and is planned to continue.

Other operating expenses grew by 13.55% due largely to the one year lease costs for the three student residences referred to above.

The available reserves have, by and large, grown in line with the operating surplus generated during the year.

In terms of capital investment, the University continues to recognise the need through its ten year capital framework, which indicates a projected spend close to £500m within that period on a variety of academic buildings and facilities. This plan has been approved in principle by Council and individual projects will be subject to investment appraisal and final approval before they commence.

In 2006/07 the investment was £61.1m, covering a variety of refurbishment projects in academic areas, investment in infrastructure and the commencement of a new student residence.

The University's overall cash position remains buoyant too and again there has been no need to utilise the revolving credit facility, despite the capital spend of £61.1m. Diligent treasury management of cash, debtors and creditors has resulted in interest on cash of £4.1m – an average investment return of 5.1%.

In 2006/07, the tuition fee structure for home/EU students changed significantly. This does not appear to have impacted upon the recruitment of those students in this year and it has simplified somewhat the collection of fees for new students.

Long term funds, with a market value of £83.6m at 31 July 2007, are invested in equities, bonds and property. The average return for the year was 5.3%, generating an income of £2.4m to support posts, scholarships and prizes.

During the year, the triennial actuarial valuation of the Birmingham Pension and Assurance Scheme was undertaken. The actuarial deficit is £34.5m compared with £63.4m in 2005. Since then of course, the University has contributed £19.6m directly into the scheme and there have been changes to the contributions from and benefits for, employees. The University has agreed to continue with additional payments into the scheme of £4.3m per annum. The position will be reviewed again at the next valuation in March 2010.

In July 2007, the University was made aware of financial irregularities in one of its trading subsidiary companies, Birmingham Research and Development Limited. This is explained further in note 34 of the accounts. Although significant for the company, there have not been any adjustments necessary within the University's financial statements for prior years.

Report of the Treasurer (continued)

The University is rightly proud that during 2006/07 it was awarded Investors in People status for Corporate Services. This embraces around 2,100 staff and is formal recognition of our commitment to our staff and their contribution to delivery of the overall University strategy. Working toward IiP gave Senior Officers a framework to help them find the best ways of achieving success through their staff and involved a range of activities from induction, through performance development to establishing our vision and values.

Turning to the future, there is much to consider and plenty to plan for. Nationally, the Research Assessment Exercise data collection has concluded and the results are bound to bring about some changes within the University. In addition, the national pay bargaining arrangements for academic and related staff are under consideration with a view to agreeing the next pay settlement due from October 2008. Much of the discussion and negotiation will be conducted in 2007/08.

Locally, the planning for much of the reorganisation of the University is complete and the focus is on an effective implementation from 1 August 2008, but still ensuring that the University does not lose sight of a successful delivery of its current activities within the planned resource levels.

In summary, the University's continued financial strength has positioned it well to face the challenges that will inevitably emerge over the coming years. Key to our success will be in continuing to invest appropriately in staff and facilities if we are to preserve our strength in teaching and research.

I would also like to thank members of the University staff for their ongoing support during this significant period of change for the University.

Michael Gilbert BSc FCA
Treasurer

17 December 2007

Corporate Governance

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the Governance procedures applied by the University's Council.

The University endeavours to conduct business:

i) in accordance with the seven principles identified by the Nolan Committee on standards in public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership),

AND

ii) in full accordance with the guidance to the University which has been provided by the Committee of University Chairmen in its 'Guide for Members of Governing Bodies of Universities in England and Wales'.

The Council welcomes the Combined Code on Corporate Governance issued by the London Stock Exchange, particularly as the University is a significant investor in a wide range of listed companies. The University is committed to exhibiting best practice in all aspects of corporate governance and this summary describes the manner in which the University is moving to apply the principles set out in section 1 of the Combined Code.

Summary of the University's Structure of Corporate Governance

Following a governance review, the University's Council now comprises 24 lay and academic persons appointed under the Statutes of the University, the majority of whom are non-executive. The roles of Chairman and Deputy Chairman of the Council are separate from the role of the University's Chief Executive, the Vice-Chancellor and Principal. The matters specifically referred to the Council for decision are set out in the Statutes of the University; by custom and under the Financial Memorandum with the Higher Education Funding Council for England, the Council holds to itself the responsibilities for the ongoing strategic direction of the University, 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 Council meets at least four times a year and has several Committees including a Strategy, Planning and Resources Committee, an Audit Committee, a Council Membership Committee and a Remuneration Committee. These Committees are formally constituted with terms of reference and with the exception of the Strategy, Planning and Resources Committee they comprise mainly lay members of Council, one of whom is the Chair. The Strategy, Planning and Resources Committee comprises both academic and lay members of Council, and is chaired by the Vice-Chancellor and Principal.

The Strategy, Planning and Resources Committee recommends to Council a corporate plan for the University, embracing all matters of a long-term, medium-term and short-term nature. It brings together academic, financial and physical planning and monitors the effectiveness of all such plans.

Corporate Governance (continued)

The Audit Committee meets three times annually. The Committee reviews the effectiveness of the University's financial and other control systems, satisfies itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness and advises the Council on risk management and the effectiveness of the accounting procedures. It reviews the external auditor's report and the scope and effectiveness of the internal auditor's work and advises Council on the appointment of both the Internal and External Auditor. It receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence with the regulatory requirements and reviews the University's annual financial statements together with the accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee does meet with the Internal and External Auditors on their own for independent discussions.

The Remuneration Committee meets annually and comprises the Pro-Chancellor, the Treasurer, one other lay member of Council and the Vice-Chancellor and Principal. It determines the annual remuneration of professorial and senior administrative staff, having sought comparative information within the University sector and elsewhere.

The Council Membership Committee considers nominations for lay vacancies in the Council membership under the relevant ordinance.

In addition, the Senate, under the Statutes, is responsible to the Council for regulating and directing the academic work of the University in teaching, examining and research for the award of all Degrees, Diplomas, Certificates and other academic distinctions of the University and for the discipline (whether intra-mural or extra-mural) of the students of the University and for the enforcement of such discipline.

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 article 9 of the Charter of Incorporation, Section 25 of the Statutes of the University and the Financial Memorandum with the HEFCE.

In July 2007, the University became aware of financial irregularities in one of its subsidiary companies, BRDL. Further details are provided in Note 34 of the accounts.

Statement of Internal Control

As the governing body of the University of Birmingham, we have responsibility for ensuring 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 we are responsible, in accordance with the responsibilities assigned to the governing body in the Charter and statutes and the financial memorandum with 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 extent and nature of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2007 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

Corporate Governance (continued)

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

- Council meet a minimum of four times a year to consider the plans and strategic direction of the institution
- Council receive periodic reports from the Audit Committee concerning internal control, and we require regular reports from managers, either directly or through the Strategy, Planning and Resources Committee, on the steps they are taking to manage risks in their area of responsibility, including progress reports on key projects
- Council have requested the Audit Committee to provide oversight of the risk management process. This provides a formal reporting and appraisal mechanism, in addition to the reports noted above
- The Audit Committee receives regular reports from the Head of Internal Audit, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement
- A regular formal review takes place to identify and where necessary to revise and update the record of risks facing the institution
- An organisation wide risk register is maintained
- Heads of budget centres have received guidance on how to implement risk management in their area of responsibility and how to embed risk management within their normal management practices
- A system of key performance indicators has been developed for the risks contained in the risk register, and residual risks are monitored against these regularly
- Reports are received from budget holders, department heads and project managers on internal control activities.

Our review of the effectiveness of the system of internal control is informed by the 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 May 2006.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers of 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.

W J Glover
Pro-Chancellor

17 December 2007

Responsibilities of the Council

In accordance with the Royal Charter, the Council of the University of Birmingham is responsible for the administration and management of the affairs of the University and is required 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 to enable it to ensure that the financial statements are prepared in accordance with the University Statutes, the Statement of Recommended Practice: 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 of 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, cash flows, and total recognised gains and losses for that year.

In preparation of the financial statements, the Council 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; and
- it is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:
- ensure that funds from the Higher Education Funding Council for England and the Training and Development Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with these bodies and any other conditions which these bodies 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; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

W J Glover
Pro-Chancellor

17 December 2007

Report of the Auditors

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

We have audited the Group and University financial statements (the 'financial statements') of the University of Birmingham for the year ended 31 July 2007 which comprise the primary statements such as 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 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 Council and Auditors

The University Council's responsibilities for preparing the Treasurer's Report and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003), applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 10.

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 (2003). 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 Training and Development Agency for Schools. We also report to you whether in our opinion the Treasurer's Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of Opinion

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

Report of the Auditors (continued)

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2007 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003);
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools, 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 for Schools.

KPMG LLP
17 December 2007
Chartered Accountants
Registered Auditor

Statement of Principal Accounting Policies and Estimation Techniques

The Accounts for the year ended 31 July 2007

1. Basis of Preparation

The Financial Statements have been prepared on the historical cost accounting basis, modified for the revaluation of certain fixed assets and investments, and in accordance with the Statement of Recommended Practice (SORP) applicable to Higher and Further Education Institutions and applicable Accounting Standards. They conform to the guidance published by the Higher Education Council for England.

In accordance with FRS 18 these accounting policies have been reviewed by the University's Council and are considered appropriate to the University's activities.

2. Basis of Consolidation

The results of the University's subsidiary undertakings have been consolidated in the financial statements and details of interests in these subsidiary undertakings are provided in note 34 to the Accounts.

The financial statements for the University of Birmingham Guild of Students have not been consolidated, as the University has no control or dominant influence over policy decisions. The contribution made by the University to the Guild is shown in note 7 and the aggregate capital and reserves and surplus for the year to 31 July 2007 are shown in note 35.

3. Recognition of Income

The recurrent grant from the Higher Education Funding Council for England represents the funding allocation, which is attributable to the current financial year and is credited direct to the Income and Expenditure Account.

Grants which are 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 relevant assets.

Income from Specific Endowments and Donations, other Government Grants and other Specific Grants and Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments. Income from other services rendered is included to the extent of completion of the contract or services concerned and is measured at the fair value of the consideration receivable. All income from short-term deposits and general endowment asset investments is credited to the Income and Expenditure Account on a receivable basis.

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

The University acts as an agent in the collection and payment of training bursaries from Government agencies and of Access Funds from HEFCE. Related payments received from Health Authorities, Research Councils, the Training and Development Agency and HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in note 32. Income from short term deposits is accrued up to the balance sheet date.

4. Taxation

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

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2007

charitable purposes. Except for its trading activities and certain research and consultancy activities, the University cannot recover the Value Added Tax suffered on its expenditure and this cost is included under the various related expenditure heads.

The University's subsidiary companies are subject to corporation tax and value added tax in the same way as any commercial organisation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

5. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. Land and Buildings

Land and Buildings are stated at cost, or at valuation if acquired before 31 July 1998.

The University depreciates its buildings on the basis of:

Academic and administrative buildings	– 50 years
Residential and commercial buildings	– 30 years

The costs of renovating or converting buildings are capitalised and depreciated in accordance with the above basis.

Historic buildings are maintained in such a state that their residual values are not materially different from their book values and hence a nil depreciation charge is made. Land is not depreciated.

Major repairs and refurbishments are capitalised and depreciated over 10 years, where they substantially add to the total area of the building, prolong its useful life or enhance the economic benefits of the building.

Where buildings are acquired with the aid of specific grants they are capitalised and the related grants are credited to deferred grants. The deferred capital grants are released to the Income and Expenditure Account over the useful economic life of the asset.

All buildings are regularly reviewed for indications of impairment. Where there is an impairment, the difference between the assessed recoverable value of the building and its written down cost is charged to the Income and Expenditure Account.

The Transitional rules in FRS 15 have been applied and the book values at implementation have been retained.

7. Equipment

All equipment is capitalised at cost, irrespective of value, and is depreciated over three years on a straight-line basis. Where equipment is acquired with the aid of specific grants, the grant is treated as a deferred capital grant and released to the Income and Expenditure Account over the expected useful economic life of the equipment.

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2007

8. Donated Assets

Where the University receives a donation, bequest or gift with no specific terms attached to its use, it is recorded as income in the income and expenditure account.

Donated tangible fixed assets are recognised in the balance sheet and are depreciated over their expected useful life, with corresponding income released from deferred capital grants to the income and expenditure account in line with the University's asset capitalisation policies in paragraph 6 and 7.

Any donated tangible fixed assets are accounted for at valuation on receipt.

9. Repairs and Maintenance

The University has established a long-term plan for repairs and maintenance which ensures that the buildings remain in their current state of repair. The costs of repairs and maintenance are charged to the Income and Expenditure Account as incurred, unless they fulfil the capitalisation criteria described in paragraph 6.

10. Leased Assets

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the income and expenditure on the same basis as above. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income and expenditure account over the period of the lease.

All other leases are operating leases and the annual rentals payable are charged to the Income and Expenditure Account

11. Investments

Fixed Asset Investments are included in the Balance Sheet at market value. Increases/decreases in value arising on the revaluation of Fixed Asset Investments are carried to the Revaluation Reserve. Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income and Expenditure Account to the extent it is not covered by a revaluation surplus.

Endowment Asset Investments are carried at market value. Such investments held at the previous year end, and carried at market value at that date, may be sold during the year. This crystallizes the value and any difference between the opening market value and the sale proceeds represents a revaluation movement. Consequently, the financial statements do not distinguish between the valuation adjustment relating to sales and those relating to continuing holdings as they are together treated as changes in the values of the investment portfolio.

Current Asset Investments are included at the lower of cost and net realisable value.

12. Stocks

Stocks for building maintenance and for resale are included at the lower of cost and net realisable value.

Consumable items are charged directly to the Income and Expenditure Account.

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2007

13. Pensions

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and employees.

The two principal pension schemes for the University's staff are the Universities' Superannuation Scheme (USS) for academic and academic-related staff, and the University of Birmingham Pension and Assurance Scheme (BPAS) for other staff. The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme.

The assets of the USS scheme are held in a separate trustee-administered fund. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

As required by FRS 17 'Retirement benefits', the difference between the fair value of the assets held in BPAS and the scheme's liabilities is recognised in the University's balance sheet as a pension scheme asset or liability as appropriate. Changes in the BPAS scheme asset or liability arising from factors other than cash contribution by the University are charged to income and expenditure or to the statement of total recognised gains and losses in accordance with FRS 17 'Retirement Benefits'.

14. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, when it is probable that a transfer of economic benefit will be incurred, and this transfer can be reliably estimated.

15. Cash Flows and Liquid Resources

Cash flows comprise increases and decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Liquid Resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

Consolidated Income and Expenditure Account

For the year ended 31 July 2007

	Note	**2006/7 £000**	2005/6 £000
Income			
Funding Council Grants	*1*	**130,467**	122,465
Academic Fees and Support Grants	*2*	**81,526**	69,860
Research Grants and Contracts	*3*	**82,513**	76,736
Other Operating Income	*4*	**86,699**	81,323
Endowment Income and Interest Receivable	*5*	**7,554**	4,559
Total Income		**388,759**	354,943
Expenditure			
Staff Costs	*6*	**206,209**	194,240
Depreciation	*7*	**36,424**	30,704
Other Operating Expenses	*7*	**129,121**	113,706
Interest Payable	*8*	**77**	136
Total Expenditure	*7*	**371,831**	338,786
Operating Surplus		**16,928**	16,157
Exceptional Items	*9*	**38,753**	–
Surplus for the year before taxation		**55,681**	16,157
Corporation Tax	*10*	**24**	(54)
Surplus for the Year after Taxation		**55,705**	16,103
Minority Interest		**(83)**	(93)
Surplus after minority interest and taxation		**55,622**	16,010
Transfers in respect of Specific Endowments		**(207)**	(224)
Surplus for the Year		**55,415**	15,786

There were no discontinued operations during 2006/7 or 2005/6.

Note of Historical Cost Surpluses and Deficits

Surplus for the year	**55,415**	15,786
Difference between an Historical Cost Profit on Realised Investment Profits and Property Disposals and the actual realised Profit for the Year calculated on the revalued amount.	**2,925**	–
Difference between Historical Cost Depreciation and the actual charge based on the revalued amount.	**624**	688
Historical Cost Surplus	**58,964**	16,474

Balance Sheets

For the year ended 31 July 2007

	Note	Consolidated 2007 £000	Consolidated 2006 £000	University 2007 £000	University 2006 £000
Fixed Assets					
Tangible Assets	*11*	**499,054**	484,539	**471,322**	457,458
Investments	*12*	**10,839**	10,730	**11,295**	11,086
		509,893	495,269	**482,617**	468,544
Endowment Asset Investments	*13*	**76,753**	71,292	**76,753**	71,292
Current Assets					
Stocks and stores in hand		**754**	706	**640**	603
Debtors and prepayments	*14*	**37,284**	36,449	**41,983**	42,569
Investments		**84,846**	12,560	**84,846**	12,560
Cash at bank and in hand		**2,493**	4,672	**1,220**	3,667
		125,377	54,387	**128,689**	59,399
Creditors:					
Amounts falling due within one year	*15*	**(82,384)**	(70,145)	**(80,173)**	(68,879)
Net Current Assets/(Liabilities)		**42,993**	(15,758)	**48,516**	(9,480)
Total Assets less Current Liabilities		**629,639**	550,803	**607,886**	530,356
Creditors:					
Amounts falling due after more than one year	*16*	**(687)**	(1,032)	**(1,262)**	(1,701)
Provisions for Liabilities and Charges	*17*	**(2,233)**	(2,157)	**(600)**	(476)
Net Assets excluding Pension Fund Liabilities		**626,719**	547,614	**606,024**	528,179
Pension Fund Liability	*31*	**(12,600)**	(44,200)	**(12,600)**	(44,200)
Total Net Assets		**614,119**	503,414	**593,424**	483,979

Balance Sheets (continued)

For the year ended 31 July 2007

	Note	Consolidated 2007 £000	Consolidated 2006 £000	University 2007 £000	University 2006 £000
Represented by:					
Deferred Capital Grants	*18*	**123,740**	106,452	**122,954**	105,628
Endowments					
Specific	*19*	**67,881**	62,565	**67,881**	62,565
General	*19*	**8,872**	8,727	**8,872**	8,727
		76,753	71,292	**76,753**	71,292
Reserves					
Revaluation Reserve	*20*	**47,503**	50,107	**46,240**	49,634
Income and Expenditure Account	*21*	**363,160**	273,424	**347,477**	257,425
Minority Interest		**2,963**	2,139	**–**	–
		413,626	325,670	**393,717**	307,059
Total Funds		**614,119**	503,414	**593,424**	483,979

The financial statements on pages 13 to 43 were approved by the Council on 17 December 2007 and signed on its behalf by:

Professor Michael Sterling, Vice-Chancellor and Principal

Michael Gilbert, BSc, FCA Treasurer

Consolidated Cash Flow Statement

For the year ended 31 July 2007

	Note	**2006/7 £000**	2005/6 £000
Net Cash Inflow from Operating Activities	*26*	**27,272**	15,405
Returns on Investments and Servicing of Finance	*27*	**7,477**	4,423
Taxation		**(43)**	(30)
Capital Expenditure and Financial Investment	*28*	**12,912**	(2,902)
Net Cash Inflow before Financing	*30*	**47,618**	16,896
Financing	*29*	**(345)**	(457)
Increase in Cash in the year	*30*	**47,273**	16,439

Reconciliation of Net Cash Flow to Movement in Net Funds

Increase in Cash in the year		**47,273**	16,439
Repayment of Debt	*29*	**345**	457
Increase in Net Funds		**47,618**	16,896
Net Funds at 1 August		**42,511**	25,615
Net Funds at 31 July	*30*	**90,129**	42,511

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 July 2007

	Note	**2006/7 £000**	2005/6 £000
Surplus after Depreciation of Assets		**55,415**	15,786
Appreciation of Endowment Asset Investments	*19*	**1,441**	3,655
Revaluation of Fixed Asset Investments	*20*	**945**	756
Endowment Income Transfer from Accumulated Reserve		**207**	224
New Endowments	*19*	**3,813**	388
Actuarial Gain/(Loss) on Pension Fund	*31*	**30,772**	(7,900)
Total Recognised Gains Relating to the Year		**92,593**	12,909
Prior year adjustment		**–**	(64,771)
Total recognised gains/(losses) since the last accounting period		**92,593**	(51,862)

Reconciliation of Reserves and Endowments

Opening Reserves and Endowments – as previously published	**394,823**	446,685
Prior year adjustment	**–**	(64,771)
Opening Reserves and Endowments – re-stated	**394,823**	381,914
Total recognised gains for the year	**92,593**	12,909
Closing Reserves and Endowments	**487,416**	394,823

Notes to the Accounts

For the year ended 31 July 2007

	Note	**2006/7 £000**	2005/6 £000
1. Funding Council Grants			
Teaching Recurrent Grant from HEFCE		**73,881**	69,506
Research Recurrent Grant from HEFCE		**41,137**	38,021
Other Grants from HEFCE		**4,258**	4,840
Training Development Agency Grants		**2,624**	2,691
Deferred Capital Grants Released		**8,567**	7,407
		130,467	122,465
2. Academic Fees and Support Grants			
Undergraduate tuition – home and EU students		**29,220**	23,364
Undergraduate tuition – other students		**13,023**	11,920
Postgraduate tuition – home and EU students		**13,174**	13,149
Postgraduate tuition – other students		**18,985**	16,421
Other courses		**4,237**	3,329
Research, Training and Support Grants		**2,887**	1,677
		81,526	69,860
3. Research Grants and Contracts			
Office of Science and Technology Research Councils		**29,795**	27,820
UK-Based Charities		**21,110**	18,939
UK Central/Local Government, Health and Hospital Authorities		**16,535**	16,419
UK Industry, Commerce and Public Corporations		**5,964**	6,720
EU Government Bodies		**4,887**	3,655
EU Other		**790**	472
Other Overseas		**2,340**	1,738
Other Sources		**1,092**	973
		82,513	76,736

Income from research grants and contracts includes £4,493k (*2005/6 £3,558k*) in respect of deferred capital grants released.

Notes to the Accounts (continued)

For the year ended 31 July 2007

	Note	2006/7 £000	2005/6 £000
4. Other Operating Income			
Residences, Catering and Conferences		**26,382**	27,031
Other Services Rendered		**21,237**	20,521
Externally Funded Posts – Health Authorities		**11,321**	10,847
– Other Sources		**1,889**	1,154
Self-Financing Teaching Activities		**4,074**	3,410
Rented Properties and University Centre Lettings		**1,014**	975
Day Nursery and Health Centre		**1,429**	1,192
Release of Deferred Capital Grants		**847**	1,397
Barber Trust		**1,004**	960
VAT Refund		**500**	2,188
Other Income		**17,002**	11,648
		86,699	81,323
5. Endowment Income and Interest Receivable			
Income from Specific Endowment Investments	*19*	**1,831**	2,061
Income from General Endowment Investments	*19*	**308**	298
Income from Short Term Investments		**3,997**	1,725
Other Investment Income		**1,418**	475
		7,554	4,559
6. Staff			
Staff Costs:			
Wages and Salaries		**169,580**	159,179
Social Security Costs		**14,612**	14,129
Other Pension Costs	*31*	**22,017**	20,932
		206,209	194,240
Emoluments of the Vice-Chancellor :			
Salary and benefits		**267**	250
Pension contributions to USS		**37**	126
		304	376

The emoluments shown are in respect of Professor Michael Sterling, and have been independently determined by the lay officers of the Council and reviewed according to performance.

Compensation for loss of office was paid to two members of staff earning in excess of £70,000 per annum:	**362**	–

Notes to the Accounts (continued)

For the year ended 31 July 2007

6. Staff – continued

	2006/7 Number	2005/6 Number
Average staff numbers by major category:		
Academic and related/clinical	**3,432**	3,180
Other, including technical, clerical and manual	**2,547**	2,692
	5,979	5,872

Remuneration of other higher paid staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are included in the University's Income and Expenditure Account:

	2006/7 Number	2005/6 Number
£70,001 – £80,000	**57**	62
£80,001 – £90,000	**30**	24
£90,001 – £100,000	**18**	19
£100,001 – £110,000	**20**	13
£110,001 – £120,000	**8**	10
£120,001 – £130,000	**10**	12
£130,001 – £140,000	**4**	8
£140,001 – £150,000	**9**	4
£150,001 – £160,000	**8**	6
£160,001 – £170,000	**8**	4
£170,001 – £180,000	**6**	6
£180,001 – £190,000	**6**	–
£190,001 – £200,000	**2**	5
£200,001 – £210,000	**4**	3
£210,001 – £220,000	**1**	2
£220,001 – £230,000	**–**	2
£230,001 – £240,000	**–**	2
£240,001 – £250,000	**1**	2
£250,001 – £260,000	**–**	1
£260,001 – £269,000	**1**	–

The profile of higher paid staff in 2006/7 is different from 2005/6 due to the implementation of the clinical consultants' contract, which resulted in significant back payments in 2005/6.

Notes to the Accounts (continued)

For the year ended 31 July 2007

7. Analysis of Expenditure by Activity

	Staff Costs	Depreciation	Other Operating Expenses	Interest Payable	**Total 2006/7**	Total 2005/6
	£000	£000	£000	£000	**£000**	£000
Academic Schools						
Core Teaching and Research	107,060	6,879	18,608	–	**132,547**	127,653
Research Grants and Contracts	40,350	4,493	20,015	–	**64,858**	60,605
Scholarships, Bursaries and Prizes	–	–	15,024	–	**15,024**	11,450
Other Trading	3,914	70	5,586	–	**9,570**	9,756
	151,324	11,442	59,233	–	**221,999**	209,464
Academic Services						
Information Services	10,055	3,680	6,561	–	**20,296**	20,060
Other Academic Services	10,551	364	6,527	–	**17,442**	13,984
	20,606	4,044	13,088	–	**37,738**	34,044
Premises						
Energy and utilities	613	785	7,578	–	**8,976**	8,796
Repairs and General Maintenance	3,172	541	6,232	–	**9,945**	4,908
Depreciation of Buildings	–	12,929	–	–	**12,929**	10,043
Other	6,257	496	1,089	13	**7,855**	7,517
	10,042	14,751	14,899	13	**39,705**	31,264
Administration and Services						
Administrative Services	8,274	301	6,257	–	**14,832**	12,981
Audit Fees	–	–	91	–	**91**	46
Fees to Auditor for Non-Audit Work	–	–	42	–	**42**	25
Sports Facilities	1,416	369	1,270	–	**3,055**	3,040
Health, Nursery and Counselling Services	3,867	128	1,771	–	**5,766**	4,930
Grant to Guild of Students (note 35)	–	–	1,342	–	**1,342**	1,301
	13,557	798	10,773	–	**25,128**	22,323
Residences Catering and Conferences						
Residences	1,795	147	11,245	64	**13,251**	9,534
Catering and Conferences	4,518	121	5,584	–	**10,223**	11,454
Depreciation of Buildings	–	4,718	–	–	**4,718**	3,029
	6,313	4,986	16,829	64	**28,192**	24,017
Other Expenditure						
Other Services Rendered	4,367	403	12,365	–	**17,135**	16,230
Other	–	–	1,934	–	**1,934**	1,444
	4,367	403	14,299	–	**19,069**	17,674
TOTAL	206,209	36,424	129,121	77	**371,831**	338,786

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 18)	13,836
General Income	22,588
	36,424

Notes to the Accounts (continued)

For the year ended 31 July 2007

8. Interest Payable

	2006/7	2005/6
	£000	£000
Loans within five years:		
Loan Interest	**77**	136

9. Exceptional Items

	2006/7	2005/6
	£000	£000
Profit on sale of land and buildings	**38,753**	–

10. Tax on Profit on Ordinary Activities

	2006/7	2005/6
	£000	£000
United Kingdom corporation tax at 30% on subsidiary company profits:		
Current Year	**(24)**	(52)
Deferred tax – due to timing differences in a subsidiary company	**48**	(2)
Total repayable / (payable)	**24**	(54)

11. Tangible Fixed Assets

Consolidated	Assets in the course of Construction	Land and Buildings	Equipment	**Consolidated Total**
	£000	£000	£000	**£000**
Cost or Valuation				
Valuation	–	51,593	–	**51,593**
Cost	3,984	489,955	42,176	**536,115**
As at 1 August 2006	3,984	541,548	42,176	**587,708**
Additions at Cost	14,605	29,700	16,837	**61,142**
Disposals at Valuation	–	(3,443)	–	**(3,443)**
Disposals at Cost	–	(11,977)	(12,802)	**(24,779)**
Transfers at Cost	(448)	448	–	**–**
Revaluation	–	1,548	–	**1,548**
As at 31 July 2007:				
Valuation	–	49,698	–	**49,698**
Cost	18,141	508,126	46,211	**572,478**
	18,141	557,824	46,211	**622,176**

Notes to the Accounts (continued)

For the year ended 31 July 2007

11. Tangible Fixed Assets continued

Consolidated	Assets in the course of Construction £000	Land and Buildings £000	Equipment £000	**Consolidated Total £000**
Accumulated Depreciation				
As at 1 August 2006 – Valuation	–	5,385	–	**5,385**
As at 1 August 2006 – Cost	–	69,794	27,990	**97,784**
Additions at Cost	–	–	–	–
Charge for the Year – Valuation	–	624	–	**624**
Charge for the Year – Cost	–	20,802	14,998	**35,800**
Depreciation on Disposals – Valuation	–	(519)	–	**(519)**
Depreciation on Disposals – Cost	–	(3,155)	(12,797)	**(15,952)**
As at 31 July 2007:	–	92,931	30,191	**123,122**
Net Book Value				
Valuation	–	44,208	–	**42,208**
Cost	18,141	420,685	16,020	**454,846**
Net Book Value as at 31 July 2007	18,141	464,893	16,020	**499,054**
Net Book Value as at 31 July 2006	3,984	466,369	14,186	**484,539**

The accumulated cost of Assets in the Course of Construction includes:

	£000
Mason Hall	12,767
Muirhead Tower refurbishment	4,617
Other	757
	18,141

Leasehold Land and Buildings

The value of land and buildings shown above represents freehold interests except for the following:

	Valuation £000	Depreciation in year £000	Accumulated Depreciation £000	**Net Book Value £000**
Medical School – on land leased in 1933 for 999 years from Birmingham City Council	15,148	158	1,422	**13,726**
Clinical Research Building – leased in 1953 for 75 years from the NHS	3,106	62	559	**2,547**
Residential leasehold properties	6,800	57	515	**6,285**
	25,054	277	2,496	**22,558**

The reinstatement cost of buildings for insurances purposes is £1,270m (2006 £1,295m).

Exchequer Funded Assets

Of the buildings above there exists an exchequer interest. It is a condition of funding imposed by the Secretary of State and the Treasury that no transaction involving these assets should be entered into without the prior approval of the Higher Education Funding Council for England.

Fully depreciated equipment is written out after 3 years and shown as a disposal and a depreciation adjustment.

Notes to the Accounts (continued)

For the year ended 31 July 2007

11. Tangible Fixed Assets continued

University	Assets in the course of Construction £000	Land and Buildings £000	Equipment £000	**University Total £000**
Cost or Valuation				
Valuation	–	51,119	–	**51,119**
Cost	3,685	455,943	41,837	**501,465**
As at 1 August 2006	3,685	507,062	41,837	**552,584**
Additions at Cost	14,598	29,655	16,786	**61,039**
Disposals at Valuation	–	(3,443)	–	**(3,443)**
Disposals at Cost	–	(11,975)	(12,781)	**(24,756)**
Transfers at Cost	(142)	142	–	**–**
As at 31 July 2007:				
Valuation	–	47,676	–	**47,676**
Cost	18,141	473,765	45,842	**537,748**
	18,141	521,441	45,842	**585,424**
Accumulated Depreciation				
As at 1 August 2006 – Valuation	–	5,385	–	**5,385**
As at 1 August 2006 – Cost	–	62,052	27,689	**89,741**
Charge for the Year – Valuation	–	624	–	**624**
Charge for the Year – Cost	–	19,856	14,949	**34,805**
Depreciation on Disposals – Valuation	–	(519)	–	**(519)**
Depreciation on Disposals – Cost	–	(3,153)	(12,781)	**(15,934)**
As at 31 July 2007:	–	84,245	29,857	**114,102**
Net Book Value				
Valuation	–	42,186	–	**42,186**
Cost	18,141	395,010	15,985	**429,136**
Net Book Value as at 31 July 2007	18,141	437,196	15,985	**471,322**
Net Book Value as at 31 July 2006	3,685	439,625	14,148	**457,458**

Notes to the Accounts (continued)

For the year ended 31 July 2007

12. Fixed Asset Investments

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Balance at 1 August	**10,730**	9,948	**11,086**	10,304
Additions	**219**	26	**319**	26
Disposals	**(265)**	–	**(265)**	–
Appreciation on Disposals and Revaluation	**155**	756	**155**	756
Balance at 31 July	**10,839**	10,730	**11,295**	11,086
Represented by:				
Investments	**10,812**	7,610	**11,268**	7,966
Cash	**27**	3,120	**27**	3,120
	10,839	10,730	**11,295**	11,086

The investments consist of a managed portfolio of properties, equities and fixed interest securities, and subsidiary company shares as listed in Note 34.

13. Endowment Asset Investments

	Consolidated and University	
	2007	2006
	£000	£000
Balance at 1 August	**71,292**	67,804
Additions	**7,590**	1,587
Disposals	**(3,570)**	(1,754)
Appreciation on Disposals and Revaluation	**1,441**	3,655
Balance at 31 July	**76,753**	71,292
Represented by:		
Investments	**72,959**	47,757
Cash	**3,794**	23,535
	76,753	71,292

The investments consist of a managed portfolio of properties, equities and fixed interest securities.

Notes to the Accounts (continued)

For the year ended 31 July 2007

14. Debtors

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Research Grants and Contracts	**20,955**	17,663	**20,955**	17,663
Other Debtors and Prepayments	**16,329**	18,786	**15,599**	18,854
Alta Cyclotron Limited	**–**	–	**25**	25
Alta Estates Limited	**–**	–	**533**	533
Birmingham Research Park Limited	**–**	–	**90**	90
	37,284	36,449	**37,202**	37,165
Amounts falling due after one year:				
Alta Estates Limited	**–**	–	**4,668**	5,201
Birmingham Research Park Limited	**–**	–	**113**	203
	–	–	**4,781**	5,404
	37,284	36,449	**41,983**	42,569

15. Creditors: Amounts Falling due within one year

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Loans and Bank Overdrafts	**344**	344	**344**	344
Research Grants and Contracts in Advance	**19,282**	19,214	**19,282**	19,214
Corporation Tax	**24**	51	**–**	–
Social Security and Other Taxation Payable	**4,993**	4,703	**4,920**	4,624
Other Creditors	**57,741**	45,833	**55,627**	44,697
	82,384	70,145	**80,173**	68,879

16. Creditors: Amounts Falling due after more than one year

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Loan repayable by Instalments, within 5 years	**687**	1,032	**1,262**	1,701

The loan is repayable in quarterly instalments and incurs interest at 0.5% above Bank of England base rate.

The University has two Interest SWAP transactions with Barclays and one with the National Bank of Australia , for £5m each, that are effective until 2016. Each SWAP transaction incorporates a fixed rate, which is compared with a variable 3 month LIBOR interest rate. The University incurs an interest charge when the SWAP rate is less than the 3 month LIBOR rate, and receives interest where the variable LIBOR interest rate exceeds the SWAP. Both of the Barclays SWAPs expire in 2021, while the National Bank of Australia SWAP expires in 2026.

Notes to the Accounts (continued)

For the year ended 31 July 2007

17. Provisions for Liabilities and Charges

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Re-structuring				
At 1 August	**476**	253	**476**	253
Utilised during the year	**(390)**	(159)	**(390)**	(159)
Provided in year	**514**	382	**514**	382
At 31 July	**600**	476	**600**	476
Deferred Taxation				
At 1 August	**1,681**	1,679	**–**	–
Provided in year (Note 10)	**(48)**	2	**–**	–
At 31 July	**1,633**	1,681	**–**	–
Total at 31 July	**2,233**	2,157	**600**	476
Analysis of Deferred Taxation:				
Accelerated capital allowances	**1,865**	2,067	**–**	–
Less unutilised tax losses	**(232)**	(386)	**–**	–
At 31 July	**1,633**	1,681	**–**	–

18. Deferred Capital Grants

	Other Grants and Benefactions	Funding Council	**Consolidated Total**	University Total
	£000	£000	**£000**	£000
At 1 August 2006				
Buildings	20,880	77,899	**98,779**	97,955
Equipment	3,907	3,766	**7,673**	7,673
	24,787	81,665	**106,452**	105,628
Cash Received				
Buildings	136	22,381	**22,517**	22,517
Equipment	5,724	2,883	**8,607**	8,607
Released to Income and Expenditure				
Buildings	(751)	(5,173)	**(5,924)**	(5,886)
Equipment	(4,518)	(3,394)	**(7,912)**	(7,912)
At 31 July 2007				
Buildings	20,265	95,107	**115,372**	114,586
Equipment	5,113	3,255	**8,368**	8,368
	25,378	96,362	**123,740**	122,954

Notes to the Accounts (continued)

For the year ended 31 July 2007

19. Endowments

	Consolidated and University		
	Specific £000	General £000	**Total £000**
At 1 August 2006	62,565	8,727	**71,292**
Additions	3,813	–	**3,813**
Appreciation of Endowment Asset Investments	1,296	145	**1,441**
Income for Year	1,831	308	**2,139**
Transferred to Income and Expenditure Account	(1,624)	(308)	**(1,932)**
At 31 July 2007	67,881	8,872	**76,753**

20. Revaluation Reserve

	Consolidated			University
	Land and Buildings £000	Investments £000	**Total £000**	**Total £000**
At 1 August 2006	46,208	3,899	**50,107**	**49,634**
Revaluation in the year	–	945	**945**	**155**
Released to Income and Expenditure Account	(3,549)	–	**(3,549)**	**(3,549)**
As at 31 July 2007	42,659	4,844	**47,503**	**46,240**

The revaluation in the year is due to changes in the market values of investments.

21. Income and Expenditure Account

					Consolidated	University
	Balance 1 August 2006 £000	Additions/ (Reductions) for the year £000	Revaluation Reserve Release £000	Other Movements £000	**Balance 31 July 2007 £000**	**Balance 31 July 2007 £000**
Available						
Academic Budget Centres	11,157	4,356	–	–	**15,513**	**15,513**
Non-Academic Budget Centres	10,386	(1,630)	–	–	**8,756**	**8,756**
Infrastructure Fund	5,333	2,050	–	–	**7,383**	**7,383**
Rationalisation Fund	778	(390)	–	–	**388**	**388**
Residences, Catering and Conferences	5,027	(791)	–	–	**4,236**	**4,236**
General Reserve	23,827	7,319	–	–	**31,146**	**31,146**
Subsidiary Undertakings	4,553	(289)	–	(27)	**4,237**	**–**
Other Funds	28,832	5,900	–	–	**34,732**	**34,732**
Sub-total – Available	89,893	16,525	–	(27)	**106,785**	**102,154**
Committed	183,531	38,889	3,549	30,800	**256,769**	**245,323**
TOTAL	273,424	55,414	3,549	30,773	**363,160**	**347,477**

Notes to the Accounts (continued)

For the year ended 31 July 2007

22. Prior Year Adjustments

	Consolidated and University	
	2007	2006
	£000	£000
The prior year adjustment for 2005/6 relates to the adoption of FRS 17 (Retirement Benefits)	**–**	(64,771)

23. Lease Obligations

The University had no finance lease obligations in 2006/7 or 2005/6.

There were payments of £516k during the year (£538k in 2005/6) in respect of operating leases for equipment.

24. Capital Commitments

	Consolidated and University	
	2007	2006
	£000	£000
Contracts for capital expenditure	**89,248**	54,205

Committed expenditure includes: Muirhead (£43.4m), Mason Hall (£24m), Subways (£7.9m), and Tennis Courts refurbishments (£4.8m).

25. Contingent Liability

The University is a member of UM Association (Special Risks) Limited, 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. No liability has yet arisen under this guarantee.

26. Reconciliation of Operating Surplus to Net Cash from Operating Activities

	Consolidated	
	2006/7	2005/6
	£000	£000
Surplus for the year before taxation	**55,681**	16,157
Depreciation of fixed assets (Note 11)	**36,424**	30,704
Deferred capital grants released to income (Note 18)	**(13,836)**	(12,362)
Returns on Investments and Servicing of Finance (Note 27)	**(7,477)**	(4,423)
(Increase)/Decrease in stocks	**(48)**	9
(Increase)/Decrease in debtors	**(2,735)**	2,803
Decrease in creditors	**(1,366)**	(84)
Decrease in provisions	**124**	225
Cash payment to pension scheme	**–**	(19,600)
Pension cost (less than)/greater than contributions payable	**(800)**	2,200
Profit from sale of tangible fixed asset	**(38,753)**	–
Depreciation of Fixed Asset Investments	**265**	–
Transfers in respect of Specific Endowments	**(207)**	(224)
Net Cash Inflow from Operating Activities	**27,272**	15,405

Notes to the Accounts (continued)

For the year ended 31 July 2007

27. Returns on Investments and Servicing of Finance

	Consolidated	
	2006/7	2005/6
	£000	£000
Income from fixed asset investments	**1,418**	699
Income from endowments	**2,139**	2,135
Income from short term investments	**3,997**	1,725
Interest paid	**(77)**	(136)
	7,477	4,423

28. Capital Expenditure and Financial Investment

	Consolidated	
	2006/7	2005/6
	£000	£000
Tangible assets acquired	**(57,460)**	(54,648)
Fixed asset investments acquired	**(3,412)**	(26)
Endowment asset investments acquired	**(27,331)**	(1,587)
Total fixed and endowment assets acquired	**(88,203)**	(56,261)
Receipts from sales of endowment asset investments	**3,570**	25,636
Receipts from sales of tangible assets	**50,504**	54
Deferred capital grants received	**43,021**	27,281
Endowments received	**4,020**	388
	12,912	(2,902)

29. Analysis of Changes in External Financing During the Year

	Consolidated	
	2006/7	2005/6
	£000	£000
Balance at 1 August	**1,376**	1,833
Capital repayments	**(345)**	(457)
Balance at 31 July	**1,031**	1,376

Notes to the Accounts (continued)

For the year ended 31 July 2007

30. Analysis of Changes in Net Funds

	Consolidated		
	At 1 August 2006	Cash Flows	**At 31 July 2007**
	£000	£000	**£000**
Short term deposits repayable on demand	12,560	72,286	**84,846**
Fixed asset investments	3,120	(3,093)	**27**
Endowment asset investments	23,535	(19,741)	**3,794**
Cash in hand, and at bank	4,672	(2,179)	**2,493**
	43,887	47,273	**91,160**
Debt due within one year	(344)	–	**(344)**
Debt due after one year	(1,032)	345	**(687)**
Net Funds	42,511	47,618	**90,129**

31. Pension Schemes

Pension arrangements are funded by employee and employer contributions to pension schemes that are financially separate from the University. Staff paid on academic and academically-related scales who are eligible, acquire pension rights through the Universities Superannuation Scheme (USS), which is a national scheme administered by a separate company on behalf of all universities. Some staff contribute to private schemes. Staff on other salary scales may be covered by the University of Birmingham Pension and Assurance Scheme (BPAS), administered in-house by a Trustee Group comprising four employer nominated and four employee nominated Trustees with an independent Chair. Management of the Scheme's investments is undertaken by UBS Global Asset Management Ltd.

Both schemes provide benefits based on final pensionable salary and the pension cost is assessed using the projected unit method for USS and a modified aggregate funding method for BPAS.

The total pension cost for each Scheme for the University is as follows:

	2006/7	2005/6
	£000	£000
USS	**15,127**	13,531
BPAS	**4,900**	5,400
Other Pension Schemes	**1,990**	2,001
Total Pension Costs (Note 6)	**22,017**	20,932

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of

Notes to the Accounts (continued)

For the year ended 31 July 2007

increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum.

In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males	19.8 years
Females	22.8 years

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in Assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.5 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 billion

Notes to the Accounts (continued)

For the year ended 31 July 2007

USS is a “last man standing” scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund’s liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers.

The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme’s cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

University of Birmingham Pension and Assurance Scheme (BPAS)
BPAS is contracted out of the State Earnings-Related Pension Scheme and management of the Scheme's investments is undertaken by UBS Global Asset Management Ltd. The latest full actuarial valuation of the scheme was at 31st December 2004, and the valuation identified that additional contributions were required as determined by the Pensions Act (1995) Minimum Funding Requirement Regulations.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments, (i.e. the valuation rate of interest), and the rates of increase in salary and pensions. In relation to the past service liability the financial assumptions were derived from market yields prevailing at the valuation date, it was assumed that the valuation rate of interest would be 4.3.% per annum, salary increases would be 4.2% per annum and pensions would increase by 2.7% per annum. In relation to future service liabilities it was assumed that the valuation rate of interest would be 6.8% per annum, salary increases would be 4.2% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the modified aggregate method.

At the valuation date, the market value of the assets of the scheme was £159.6 million, and the valuation of the past service liabilities was £192.5 million, giving a deficit of £32.9 million. The assets therefore were sufficient to cover 82.3% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

The next valuation will be published later this year.

Contributions have been paid by employees at the rate of 6% of pension able pay and by the University at the rate of 14% of employees' pensionable pay. Additionally a further £19.6 million was paid in the period ended 31st July 2006, as determined by the Schedule of Contributions agreed with the Scheme Actuary.

The assumptions employed by the Scheme Actuary for the valuation of liabilities as at 31st July 2007, were as follows:

	July 2007	July 2006	July 2005
Discount Rate	**5.8%**	5.1%	5.0%
Salary Growth	**4.7%**	4.6%	4.2%
Inflation	**3.2%**	3.1%	2.7%
Pension Increases	**3.2%**	3.1%	2.7%

Notes to the Accounts (continued)

For the year ended 31 July 2007

The invested assets of the Scheme amounted to £222.2 million (after investment of the additional contribution). The assets and the expected long term rate of return were:

	July 2007		July 2006		July 2005	
	£million	**Rate of Return**	£million	Rate of Return	£million	Rate of Return
Equities	**118.5**	**8.2%**	100.7	8.0%	81.5	7.4%
Property	**20.4**	**7.0%**	18.6	6.5%	15.5	6.2%
Corporate Bonds	**41.1**	**5.8%**	37.9	5.1%	56.0	5.0%
Index Linked Bonds	**18.2**	**4.8%**	19.6	4.5%	12.7	4.3%
Fixed Interest Bonds	**22.3**	**4.8%**	24.0	4.5%	–	–
Other Assets	**1.7**	**4.2%**	7.2	4.1%	7.9	3.7%
Total	**222.2**		208.0		173.6	

The following amounts were measured in accordance with the requirements of Financial Reporting Standard 17:

	July 2007 £million	July 2006 £million	July 2005 £million
Total market value of assets	**222.2**	208.0	173.6
Present value of scheme liabilities	**234.8**	252.2	227.3
Deficit in the scheme	**12.6**	44.2	53.7

The above amounts have been recognised in the financial statements as follows:

	July 2007 £million	July 2006 £million	July 2005 £million
Net assets excluding pension deficit	**625.5**	547.6	529.2
Pension deficit	**(12.6)**	(44.2)	(53.7)
Net assets including pension deficit	**612.9**	503.4	475.5
Profit and loss reserve excluding pension deficit	**376.2**	317.6	317.8
Pension deficit	**(12.6)**	(44.2)	(53.7)
Profit and loss reserve including pension deficit	**363.6**	273.4	264.1

Additionally, in accordance with Financial Reporting Standard 17, the following components of the pensions charge have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2007:

	July 2007 £million	July 2006 £million	July 2005 £million
Analysis of amounts charged to Income and Expenditure account:			
Current service cost	**4.9**	5.4	5.0
Finance:			
Interest on pension scheme liabilities	**12.6**	11.2	10.4
Expected return on assets in the pension scheme	**(13.3)**	(11.4)	(9.9)
Net credit (charge) to other finance income	**(0.7)**	(0.2)	0.5
Total charge before tax	**4.2**	5.2	5.5
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses:			
Gain on assets	**(4.3)**	(5.2)	(17.4)
Experience loss (gain) on scheme liabilities	**8.0**	(2.0)	0.9
(Gain) Loss on change of assumptions	**(34.5)**	15.1	29.9
Total (Gain) loss before tax	**(30.8)**	7.9	13.4

Notes to the Accounts (continued)

For the year ended 31 July 2007

In total, the movement in the University's share of the scheme's deficit during the year is made up as follows:

	£million
Deficit on scheme at 1 August 2006	**44.2**
Movements in the year:	
– current service cost	**4.9**
– contributions paid	**(5.0)**
– finance income	**(0.7)**
– actuarial gain	**(30.8)**
Deficit on scheme at 31 July 2007	**12.6**

The experience gains and losses for the year were as follows:	**2006/7**		2005/6		2004/5		2003/4		2002/3	
	£million	**%**	£million	%	£million	%	£million	%	£million	%
(Gain) Loss on assets	(4.3)		(5.2)		(17.4)		3.8		0.3	
Percentage of scheme assets at the end of the year		(1.9)		(2.5)		(10.0)		2.6		0.2
Experience loss (gain) on scheme liabilities	8.0		(2.0)		0.9		(1.2)		(1.2)	
Percentage of scheme liabilities at the end of the year		3.4		(0.8)		0.4		(0.6)		(0.7)
Total (gain) loss recognised in the statement of total recognised gains and losses:	(30.8)		7.9		13.4		9.3		11.2	
Percentage of scheme liabilities at the end of the year		(13.1)		3.1		5.9		5.0		6.6

32. Agency Arrangements

	Consolidated and University			
	Learning Support Funds		Training and Development Agency	
	2006/7	2005/6	**2006/7**	2005/6
	£000	£000	**£000**	£000
Balances Unspent as at 1 August	**330**	364	**104**	103
Funding Council grants received	**680**	794	**2,610**	2,286
Disbursed to students	**(700)**	(801)	**(2,619)**	(2,285)
Administration costs	**(21)**	(27)	**–**	–
Balances Unspent at 31 July	**289**	330	**95**	104

The above grants and bursaries 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.

The University also received £1.9m (2005/6 £1.7m) from the Funding Council in respect of the Aim Higher initiative, which has been disbursed to colleges in the West Midlands.

Notes to the Accounts (continued)

For the year ended 31 July 2007

33. Related Party Transactions

To capture information on related party transactions the University has circularised members and officers who attend Council, Strategy, Planning and Resources Committee, Investment Committee, Estates Committee and the Trustees of the University of Birmingham Pension and Assurance Scheme.

Due to the nature of the University's operations and the composition of the University's governing body, being drawn from commerce, industry and the public sector, it is inevitable that transactions will take place with organisations in which a member of the governing body has an interest. All such transactions are conducted at arms length and in accordance with the University's Manual of Financial Rules and Procedures with respect to procurement.

No declarations of disclosable interests have been made.

34. Subsidiary Undertakings

Name	University Holding	Business Activity
Alta Cyclotron Limited	100%	Preparation and sale of chemicals for clinical use
Alta Estate Services Limited	100%	Operating a Combined Heat and Power plant
Alta Library Services Limited	100%	Provision of Library Services
Birmingham Research and Development Limited	100%	Technology Transfer
Birmingham Research Park Limited	51%	Provision of Accommodation to High Technology Companies
University of Birmingham Selly Oak Educational Trust	100%	Management of Land and Buildings on the Selly Oak Campus

The subsidiaries are all incorporated in and operate in Great Britain.

In July 2007, the University became aware of financial irregularities in one of its subsidiary companies, BRDL.

The company operated a separate financial system to the rest of the University Group. It was also subject to separate governance and control arrangements as specified by the Company Board. The Board of Directors of BRDL took swift and thorough action to identify the extent of the irregularities. The investigation continues and is subject to litigation. Steps are being taken to secure recovery of assets. No financial adjustments are considered necessary in the University Group accounts in respect of prior years. An accrual has been made for an estimated liability which has been identified as a result of the investigation. The unaudited accounts for BRDL and BRPL have been consolidated into the University Group at the time of signing. The Company auditors will complete their work on the companies in due course.

The summarised balance sheets and results for the year ended 31 July 2007 are as follows:

	Alta Cyclotron Services Limited	Alta Estate Services Limited	Alta Library Services Limited	Birmingham Research and Development Limited	Birmingham Research Park Limited	University of Birmingham Selly Oak Educational Trust
	£000	£000	£000	£000	£000	£000
Tangible Fixed Assets	–	10,336	–	5	6,830	10,561
Investments	–	–	–	172	–	–
Current Assets	346	1,035	85	1,403	540	13
	346	11,371	85	1,580	7,370	10,574
Capital and Reserves	–	3,984	–	(54)	6,832	10,561
Creditors	346	5,754	85	1,634	538	13
Bank Loan	–	–	–	–	–	–
Provisions	–	1,633	–	–	–	–
	346	11,371	85	1,580	7,370	10,574
Profit/(Loss) for the Year	262	188	18	(388)	172	(177)

Notes to the Accounts (continued)

For the year ended 31 July 2007

The University has investments in the following companies:

	£000
Mercia Technology Fund 2	160
Universities UK Limited	64

The University also has an interest in the following companies through its subsidiaries. These have not been consolidated on grounds of materiality.

	% Holding
Ad Surf Eng Limited	6
Applied Functional Materials Limited	28
Astron Clinica Limited	10
Birmingham Health Science Devices Limited	50
Celentyx Limited	33
CPD-HQ Limited	33
Crimson Technologies Limited	10
EXMET Limited	10
Hybrid Systems Limited	25
INTREC Limited	17
McBurney Scientific Limited	16
Metal Nanopowders Limited	36
Neurogenix Limited	42
Ortus Medical Limited	25
Plasgene Limited	40
Prolego Technologies Limited	15
Scyron Limited	5
Speech Ark Limited	10
U21 Equity Limited	5
Cobra Therapeutics Limited	2
Talis Group Limited	3
Adsfab Limited	<1
1....... Limited	<1

35. Guild of Students

The University has not consolidated the financial statements of the Guild of Students because the University has no control or dominant influence over policy decisions. The summarised balance sheet and results for the year ended 31 July 2007 are as follows:

	2006/7	2005/6
	£000	£000
Tangible Fixed Assets	**211**	216
Investments	**5**	5
Current Assets	**2,078**	1,943
	2,294	2,164
Reserves	**1,424**	1,248
Creditors	**870**	916
	2,294	2,164
Surplus for the Year	**176**	343

The University's Income and Expenditure Account reflects payment to the Guild of Students of a Block Grant of £1,342k (Note 7) (2005/6 £1,301k).

Five Year Summary Accounts

Income and Expenditure Account

	2006/07 £000	2005/06 £000	2004/05 £000	2003/04 £000	2002/03 £000
Income					
Funding Council Grants	130,467	122,465	114,213	105,200	95,867
Academic Fees and Support Grants	81,526	69,860	66,170	63,181	59,557
Research Grants and Contracts	82,513	76,736	73,609	70,201	70,673
Other Operating Income	86,699	81,323	76,558	68,104	62,047
Endowment Income and Interest	7,554	4,559	3,809	3,089	3,709
Total Income	388,759	354,943	334,359	309,775	291,853
Expenditure					
Staff Costs	206,209	194,240	181,735	169,732	163,067
Depreciation	36,424	30,704	29,668	26,929	24,669
Other Operating Expenses	129,121	113,706	100,101	94,737	89,050
Interest Payable	77	136	2,877	2,630	2,941
Total Expenditure	371,831	338,786	314,381	294,028	279,727
Operating Surplus before tax and exceptional items	**16,928**	**16,157**	**19,978**	**15,747**	**12,126**

Capital Expenditure

	2006/07	2005/06	2004/05	2003/04	2002/03
Land and Buildings	44,305	40,278	37,309	46,268	48,774
Equipment	16,837	14,370	13,705	12,867	17,195
Total Capital Expenditure	**61,142**	**54,648**	**51,014**	**59,135**	**65,969**

Balance Sheet

	2006/07	2005/06	2004/05	2003/04	2002/03
Fixed Assets	509,893	495,269	470,597	449,636	417,493
Endowment Asset Investments	76,753	71,292	67,804	59,911	57,210
Net Current Assets/(Liabilities)	42,993	(15,758)	(5,889)	11,817	24,668
Creditors: Amounts Due After One Year	(687)	(1,032)	(1,379)	(29,390)	(33,067)
Provisions for Liabilities and Charges	(2,233)	(2,157)	(1,932)	(2,434)	(2,799)
Total Net Assets, excluding pension liability	**626,719**	**547,614**	**529,201**	**489,540**	**463,505**
Represented By:					
Deferred Capital Grants	123,740	106,452	91,533	72,819	64,214
Endowments	76,753	71,292	67,804	59,911	57,210
Revaluation Reserve	47,503	50,107	50,039	49,604	50,124
Income and Expenditure Reserves:					
Available Funds	106,391	89,893	84,371	66,849	60,292
Committed Funds	272,332	229,870	235,454	240,357	231,665
	378,723	319,763	319,825	307,206	291,957
Total Funds, excluding pension liability	**626,719**	**547,614**	**529,201**	**489,540**	**463,505**

Financial Statistics

Sources of Income

% of Total Income	2006/07	2005/06	2004/05	2003/04	2002/03
	%	%	%	%	%
Grants from Funding Councils (HEFCE and TDA)	33.6	34.5	34.2	33.9	32.8
Tuition Fees – Home and EC	17.7	14.3	14.0	14.4	14.9
Tuition Fees - Overseas	3.3	5.4	5.8	6.0	5.5
Income from Research Grants and Contracts	21.2	21.6	22.0	22.6	24.2
Income from Residences, Catering and Conferences	6.8	7.6	7.7	7.0	7.3
Other Income	17.4	16.6	16.3	16.1	15.3
Total Income	100.0	100.0	100.0	100.0	100.0

Analysis of Expenditure

% of Total Expenditure	%	%	%	%	%
Staff Costs	55.5	57.3	57.9	57.7	58.3
Depreciation	9.8	9.1	9.5	9.2	8.8
Other Operating Expenses	34.7	33.6	31.8	32.2	31.8
Interest Payable	0.0	0.0	0.8	0.9	1.1
Total Expenditure	100.0	100.0	100.0	100.0	100.0

Operating surplus for the year as a % of total income	4.4%	4.6%	6.2%	5.3%	4.2%

Indicators of Financial Strength

Ratio of available general funds to total expenditure (days) The number of days expenditure that could be sustained from available funds	113	106	108	94	88
Ratio of long-term liabilities to total net assets Measures the extent to which an institution is funded by long term debt	0.2%	0.2%	0.3%	6.3%	7.2%

Indicators of Liquidity and Solvency

Ratio of liquid assets to current liabilities Extent to which current liabilities could be met from cash and liquid investments	1.1	0.2	0.3	0.3	0.5
Ratio of current assets to current liabilities Extent to which current liabilities could be met from current assets	1.5	0.8	0.9	1.2	1.4
Debtor Days Days of total income (excluding Funding Council grants) represented by debtors	53	57	65	74	78

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