

ASTON UNIVERSITY

CONTENTS

Page

Council Membership during 2006-2007	2
Officers of the University during 2006-2007	3
Treasurer's Report	4 to 6
Corporate Governance Statement	7 to 8
Statement of the Council's Responsibilities	9 to 10
Auditors' Report to the Council of the University	11 to 12
Statement of Principal Accounting Policies and Estimation Techniques	13 to 16
Consolidated Income and Expenditure Account	17
Balance Sheets	18
Consolidated Cashflow Statement	19
Notes on the Financial Statements	20 to 36

ASTON UNIVERSITY

THE COUNCIL MEMBERSHIP DURING 2006-2007

Ex-officio

Sir Michael Bett, CBE	- The Chancellor
Mr G R John, CBE	- The Pro-Chancellor (Chairman)
Dr J Parnaby, CBE	- The Treasurer
Professor J E King, CBE	- The Vice-Chancellor (appointed 1st December 2006)
Professor M T Wright	- The Vice-Chancellor (resigned 30th November 2006)
Professor G J Hooley	- Senior Pro-Vice-Chancellor
Professor N B R Reeves, OBE	- Pro-Vice-Chancellor
Dr M H Oakley	- Pro-Vice-Chancellor
Professor J A Saunders	- Pro-Vice-Chancellor and Head of School (until 31 st March 2007)
Mr J R Bailey	- Pro-Vice-Chancellor
Dr H E Higby	- Pro-Vice-Chancellor
Professor M Griffin	- Head of School
Professor A K Kochhar	- Head of School
Dr P M Moores	- Head of School
Professor M A West	- Head of School (from 1 st April 2007)

Appointed

Dr E Doolan
Dr J Edwards
Mr M Farrell
Dr G Fisher
Dr J Fletcher
Dr D Harris
Mr D Harrison
Mr J Hill
Dr A V Hine
Dr E Insch
Councillor L Lawrence
Mr A Mir
Mr K Munday
Professor Y Perrie
Mr W Perrin
Mr G Pitchford
Dr G Rippon
Dr P Seville
Mr N Shane
Mrs A Spooner
Mr P Spooner
Dr A Sweeten
Mr P M Wall
Dr R M Whittington
Dr J S W Wolffsohn
Mr M J Russell (Co-opted)

ASTON UNIVERSITY

OFFICERS OF ASTON UNIVERSITY DURING 2006-2007

Chancellor

Sir Michael Bett CBE, MA, CCIPD, HonDBA, Hon DSc

Pro-Chancellor

Mr G R John CBE, BA

Treasurer

Dr J Parnaby CBE, FEng, HonDSc, DUniv, DTech, DEng, FIMechE, FIEE

Vice-Chancellor (appointed 1st December 2006)

Professor J E King CBE, FEng, MA, PhD, CEng, CSci, FIMMM, FInstP, FRAeS, FIManEST, FCGI, FRSA

Vice-Chancellor (resigned 30th November 2006)

Professor M T Wright FEng, BSc, PhD, CEng, FIEE, FIMechE, SenMIEEE, CMath, FIMA, CIMgt

Senior Pro-Vice-Chancellor

Professor G J Hooley BSc, PhD, FCIM, FBAM, FEMAC, FRSA, Cert ITP, ILTM

Pro-Vice-Chancellors

Professor N B R Reeves OBE, OM(FRG) Goethe Medaille, MA, DPhil, FIL, FRSA

Dr M H Oakley BSc, PhD, MIEE, CEng, FIMgt, FCMI

Mr J R Bailey, BSc, GradInstM, FRSA

Dr H E Higson, MA, PhD, FRSA, MHEA

Pro-Vice-Chancellor and Head of Aston Business School (until 31st March 2007)

Professor J A Saunders BSc, MBA, PhD, FBAM, FCIM, FRSA, FEMAC

Head of Aston Business School (from 1st April 2007)

Professor M A West BSc(Econ), PhD, CPsychol, FBPsS, FAPA, FRSA

Head of School of Engineering and Applied Science

Professor A K Kochhar BSc(Eng), PhD, FEng, FIMechE, FIEE

Head of School of Languages and Social Sciences

Dr P M Moores MA, PhD

Head of School of Life and Health Sciences

Professor M Griffin BSc, PhD, FIBiol

Director of Finance and Business Services

Mr G S Dhariwal BSc, FCMA

Director of Estates

Mr G East BEng, CEng, FIEE, MCIBSE, MBIFM

Director of ICT

Mr F Zihni BSc, MBA

University Secretary-Registrar

Mr R D A Packham BA, FRSA

ASTON UNIVERSITY - TREASURER'S REPORT

Scope of the Financial Statements

The Financial Statements for the year ended 31 July 2007 comprise the results of the whole University, other than those for the Students' Guild, which are reported separately, and include its three subsidiary companies:

- Aston Technical, Management and Planning Services Limited, managing commercial activities relating to the Lakeside residences, this ceased trading at the end of the financial year;
- Conference Aston Limited, which manages the University's conference activities; and
- Aston Academy of Life Sciences Limited, a 2004 independent day hospital start-up business which now has Health Commission approval, has attracted seven NHS and private patient treatment contracts in the year. It provides ophthalmic services such as laser eye and cataract surgery, and Sports/Musculo Skeletal injury diagnostics as well as neurosciences services with fMRI and MEG scanning. It also provides research cooperation support.

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2003).

The Financial Statements have been prepared using accounting policies and estimation techniques which are consistent with the prior year.

Results for the year

The University set a budget of £205,000 surplus at the historical cost line for the year ended 31 July 2007 and therefore it is satisfying to record that there was a historical cost surplus of £1,062,000 compared to a surplus of £305,000 last year.

The underlying results are that the operating surplus before exceptional items was £95,000 (2006 £662,000

deficit) and the surplus retained for general reserves for the year was £94,000 (2006 £699,000 deficit).

Overall, income has increased by more than 13% - this reflects growth of nearly 23% in three years.

Total expenditure increased by £9.5 million or 12.3%.

HEFCE income accounts for about 35% of total income, but there has been an increase in targeted funding including capital grants from bodies such as Advantage West Midlands, while the recurrent grant is now 29.5% of total income, compared to 31.8% last year.

The growth in fee income is due to higher home and overseas student numbers, up 9.3% and 30.1% respectively. Fee income also increased due to the advent of variable tuition fees for the 2006/07 intake. As was the case last year, the growth in overseas student numbers means that overseas fee income has exceeded that from home students

Research income increased by 3.5% during the year. Considerable effort has been made to improve research quality in the run up to the next national Research Assessment Exercise in 2008.

Other operating income is 9.3% higher equivalent to £1.7 million. This is predominantly due to the Aston Business School Conference Centre being open for the whole financial year as opposed to trading for only seven months in 2005/06 because of major refurbishment works being undertaken. The effect of this was to boost income by £1.8 million. In addition income from intellectual property rights increased by £0.3 million due to licensed sales of the drug Temodal and a further £0.3 million increase in income resulted from Aston Academy of Life Sciences. These favourable variances were partially offset by a £0.9m adverse movement in departmental earnings.

The University continued to invest substantial capital on innovation with

ASTON UNIVERSITY - TREASURER'S REPORT

expenditure to modernise and extend facilities for teaching and research over the past four years being £6,623,000 in 2007, £13,798,000 in 2006, £18,692,000 in 2005 and £13,485,000 in 2004.

There have been a number of unavoidable cost growth elements which have lessened the net cash flow from revenue growth.

Staff costs increased by £4.8 million. This was due to the national pay award (£2.8m), pay harmonisation (£0.6 million), severance payments (£0.6 million) and pension contributions including the FRS 17 adjustment (£0.7 million). Pay costs represent 57% of total income and national pay awards above the rate of increase in HEFCE grant and tuition fee income will continue to present a challenge in future years.

Other operating expenses increased by £2.9 million an increase of 12.4%. Notable increases included reactive maintenance expenditure, continued rise in energy costs, and professional fees in respect of the proposed major capital investment in redevelopment of student residences.

The annual depreciation charge has increased by 16%, reflecting the levels of capital investment noted above.

Cashflow and Investment Performance

The cash and liquid resources have increased from £16,414,000 at 31 July 2006 to £21,048,000 at 31 July 2007, due to a positive cash flow from operations. This includes approximately £2,439,000 held in an Escrow account with the restructured Aston University Pension Scheme (AUPS), as part of the agreement with the scheme's trustees for financing the scheme's underfunding, which has reduced substantially over the past three years.

The University now has bank loans in excess of bank balances of £9.1 million compared to £14 million in 2006.

Core bank interest generated on the University cash deposits was £1,075,000 (£813,000 in 2005/06) - this represents an average rate of return during the year of 5.19% (4.54% in 2006/075).

Interest payable has increased this year from £1,163,000 to £1,736,000.

Shares donated to the university contributed £355k.

Corporate Governance

The Financial Statements include a statement confirming the University's commitment to best practice in all aspects of Corporate Governance. Further progress has been achieved in the year and the University considers that it continues to comply with the internal control guidance for directors in the Combined Code on Corporate Governance issued by the London Stock Exchange, as deemed appropriate for higher education. This includes a comprehensive risk assessment and management process which is now firmly established and monitored by the Audit Committee.

Outlook

The University's three key strategic aims remain:

- to aim for the equivalent of 5* ratings in the next Research Assessment Exercise, whilst at least gaining a 5 rating in each unit of assessment (both ratings based on the previous RAE);
- to emphasise growth via the expansion of postgraduate taught programmes, research grant income, and in international student numbers; and
- to promote increased generation of non-HEFCE income through commercialisation of research opportunities, the exploitation of IPR,

ASTON UNIVERSITY - TREASURER'S REPORT

and formation of further spin-out companies, and to further widen development fundraising activities.

Further progress towards these has been achieved this year, as reflected by the developments in overseas student recruitment, research activity and income diversification noted above.

Looking forward, the University continues to make progress on the first planning phases of the project to redevelop and increase student residences. This will lead to significant modernisation of a large part of the campus. A significant level of expenditure by professional advisers was underwritten by the University during 2006/07, in order to achieve a final investment cost position during 2007 that provides the University with the desired outcome at an acceptable level of risk.

In many ways, the overall position is not significantly different from that I set out in my report last year. The University is in the midst of a period of internally-initiated development aimed at growth in activities and revenues, while external factors, including government policy, continue to require the University to be aware of, understand and respond to changing circumstances in higher education. To be able to do this, the University must retain a sound financial foundation, and reduce its dependency on these income sources over which it has little control. The result for the year confirms that ongoing developments are being well managed to maintain revenue growth and that the University's finances are well controlled. .

The new Vice-Chancellor is directing a major programme of strategy development to cover the next five year period. This is emphasising value added activity and revenue growth, and the clear focusing of investments on priority areas of research income growth and modern teaching activity developments.

The higher education sector is extremely competitive and there will continue to be the need for careful financial cost control

management and tight prioritisation of the allocation of capital.

The University has developed good relationships with Advantage West Midlands who continue to be very supportive of innovative investment opportunities.

The early indications for the new year are that the financial position and the delivery of further benefit from the investment made to date, are being sustained. However it remains the case that progress must be based on further revenue growth from well-balanced strategic innovation and entrepreneurship, combined with effective project management, risk control, cost control and robust challenge where circumstances change.

Dr J Parnaby, CBE
Honorary Treasurer
October 2007

ASTON UNIVERSITY - CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 2003 and in the Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland, issued by the Committee of University Chairmen in November 2004. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

The University's Council is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, which has been in place for the year ended 31 July 2007 and up to the date of approval of the annual report and accounts.

In order to provide assurance that the above process is operating effectively, Internal Audit has undertaken a review of the University's procedures for governance and risk management and of the underlying control and monitoring processes.

The Council is therefore of the opinion that the necessary procedures have been in place throughout the year ended 31 July 2007 and up to the date of approval of the annual report and accounts. The overall process is reviewed regularly by the Council and accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education.

The University's Council comprises lay members, students and employees appointed under the Statutes of the University, the majority of whom are non-executive. The roles of Chancellor and Pro-Chancellor of the Council are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specifically reserved 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 approving plans 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 six times a year and has several Committees, including a Strategic Planning Committee, an Academic Planning and Resources Committee, a Finance Committee, a Nominations Committee, a Remuneration Committee, and an Audit Committee.

All of these Committees are formally constituted with terms of reference. With the exception of the Academic Planning and Resources Committee, they comprise mainly lay members of Council or independent co-opted members, one of whom is the Chair.

In respect of its strategic and development responsibilities, the Council receives recommendations and advice from the Strategic Planning and Academic Planning and Resources Committees, the former a joint committee of the Council and of the Senate, the body responsible for the University's academic affairs. The Academic Planning and Resources Committee's membership includes four lay members appointed by the Council from amongst its members.

ASTON UNIVERSITY - CORPORATE GOVERNANCE

The Finance Committee inter alia recommends to Council the University's annual revenue and capital budgets, and monitors performance both in respect of operations and of developments against to the approved budgets.

The Governing Council has adopted the recommendations of the Committee of University Chairmen Guide for Members of HE Governing Bodies in the UK.

The Nominations Committee considers nominations for vacancies in the Council membership under the relevant Statute. A majority of lay members is appointed by external bodies, including the Privy Council. Those lay members are eligible for re-appointment by the relevant bodies when they retire by rotation.

The Remuneration Committee each year determines the remuneration of the most senior staff, including the Vice-Chancellor.

The Audit Committee meets at least three times a year with the University's external auditors and the internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and risk management and management's responses and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitor adherence with the regulatory requirements. Whilst senior officers attend meetings of the Audit Committee as necessary, they are not members of the Committee, and once a year the Committee meets with the external and internal auditors on their own for independent discussions.

ASTON UNIVERSITY - STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

In accordance with the University's Charter of Incorporation, the Council is responsible for the management and administration of the University's affairs, including ensuring an effective system of internal control, 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's Charter, the Statement of Recommended Practice on Accounting in 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 (HEFCE) 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 University's state of affairs 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; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council 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 HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the HEFCE and any other conditions which the HEFCE 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 prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

- appropriate procedures for the appointment of the Vice-Chancellor and other senior officers and for monitoring their performance, including a Remuneration Committee for senior staff;
- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual

ASTON UNIVERSITY - STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

income, expenditure, capital and cash flow budgets;

- regular reviews of key performance indicators and business risks and quarterly review/s of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, and processes for risk management and the management of conflicts of interest. The Financial Regulations are approved by the Audit and Finance Committees and subject to regular review;
- comprehensive Personnel Policies including all phases of employment, all aspects of equal opportunities, harassment, grievances and whistle-blowing; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and Council and whose head provides the Council with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of internal control, including internal financial control.

Any system of internal control can, however, only provide reasonable, but not absolute assurance against material misstatement or loss.

Independent auditors' report to the Council of Aston University

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

The University's Council 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, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on pages 10 and 11.

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

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

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.

ASTON UNIVERSITY

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 2003 Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, 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.

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

Date October 2007

ASTON UNIVERSITY - STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

1. Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): Accounting for Further and Higher Education 2003 and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England (HEFCE).

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements except as noted below.

2. Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments, and are prepared on the going concern basis.

3. Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings Conference Aston, Aston Academy of Life Sciences Limited and Aston Technical, Management and Planning Services Limited.

Intra-group sales and profits are eliminated fully on consolidation.

In accordance with FRS 2, the activities of the Aston Students Guild have not been consolidated because the University does not control those activities.

4. Recognition of income

Income from research grants, contracts and other services rendered is included to the extent of the equivalent expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific and general endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended is transferred from the income and expenditure account to specific endowments.

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

Non-recurrent grants from Funding Councils or other bodies are recognised in the period in which they are received, unless the grant terms require the grant to be matched to specific expenditure, in which case the income is recognised to the extent of the equivalent expenditure during the year.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

ASTON UNIVERSITY - STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

5. Maintenance of premises

The University has a ten-year rolling long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

6. Foreign currency translation

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

7. Pension schemes

Retirement benefits for most employees of the University are provided by The Universities Superannuation Scheme (USS) and Aston University Pension Scheme (AUPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

Contributions to USS are charged to the income and expenditure account so as to spread the cost of pensions over employee's working lives with the University in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. Variations from regular costs are spread over the expected average remaining working lifetime of members of the schemes after making allowances for further withdrawals. The contributions are determined by qualified actuaries on the basis of triennial valuations using a prospective benefit method.

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

Further details of the pension schemes are given in note 29.

A small number of employees are members of defined contribution schemes, where the contributions paid by the University are charged in the year in which they are payable.

8. Tangible fixed assets

a. Land and buildings

Land and buildings are included in the Balance Sheet at valuation with effect from 1 August 1994, previously shown at cost, with subsequent additions at cost. The valuation was performed by Chartered Surveyors DTZ Debenham Thorpe on the basis of depreciated replacement cost for the main campus together with open market value for properties off-campus. The total valuation at the time amounted to £52.8 million and the resulting £41.1 million excess over net book value was taken to the Revaluation Reserve.

ASTON UNIVERSITY - STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

On disposal, any valuation surplus realised is transferred from the Revaluation Reserve to the Income and Expenditure account.

Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of up to 50 years, while building improvements and adaptations are depreciated over 10 years.

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

Finance costs which are directly attributable to the construction of land and buildings have been capitalised as part of the cost of those assets.

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.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

In accordance with FRS 15 the University has opted to take the one-off opportunity to freeze the valuations at the date of the implementation of FRS 15 for the first time.

b Equipment

Equipment costing less than £500 (£15,000 until 31 July 1999) per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

	Assets acquired after 31 July 1999	Assets acquired before August 1999
Mainframe Computer Equipment and Software	20% pa	33 ¹ / ₃ pa
Motor Vehicles and General Office Equipment	25% pa	33 ¹ / ₃ pa
PC Computer Equipment/Software	33% pa	33 ¹ / ₃ pa

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

9. Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements that 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

ASTON UNIVERSITY - STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

10. Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Investments that form part of Endowment Assets are included in the balance sheet at market value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

11. Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

12. 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 Income and Corporation Taxes Act (ICTA) 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 ICTA 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, and so is able only partially to recover the VAT input tax suffered.

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

13. Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

14. Provisions

Provisions are recognised when the institution 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.

ASTON UNIVERSITY

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT for the year ended 31 July 2007

	Note	2006-07 £000	2005-06 £000
INCOME			
Funding Council grants	1	30,338	28,712
Academic fees and support grants	2	28,242	21,811
Research grants and contracts	3	7,470	7,216
Other operating income	4	19,693	18,014
Endowment income and interest receivable	5	<u>1,342</u>	<u>1,059</u>
Total Income		<u>87,085</u>	<u>76,812</u>
EXPENDITURE			
Staff costs	6	49,411	44,652
Depreciation	9	9,812	8,488
Other operating expenses	7	26,031	23,171
Interest payable	8	<u>1,736</u>	<u>1,163</u>
Total Expenditure		<u>86,990</u>	<u>77,474</u>
Operating surplus/(deficit) after depreciation of assets at valuation		95	(662)
Transfer to accumulated income within endowments	19	<u>(1)</u>	<u>(37)</u>
Surplus/(Deficit) for the year retained for general reserves		<u>94</u>	<u>(699)</u>
Included in reserve revenue	21	324	(765)
Included in pension reserve	21	<u>(230)</u>	<u>66</u>
		<u>94</u>	<u>(699)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2007

	Note	2006-07 £000	2005-06 £000
Operating surplus/(deficit) after depreciation of assets		95	(662)
New endowments		5	-
Appreciation of endowment assets	19	101	57
Actuarial gain/(loss) in respect of AUPS		<u>4,714</u>	<u>2,833</u>
Total recognised gains/(losses) relating to the year		4,915	2,228
Prior year adjustment		-	(3,822)
Total recognised gains/(losses) since the last period		<u>4,915</u>	<u>(1,594)</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS for the year ended 31 July 2007

	Note	2006-07 £000	2005-06 £000
Operating surplus/(deficit) after depreciation of assets		95	(662)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	<u>967</u>	<u>967</u>
Historical cost surplus		<u>1,062</u>	<u>305</u>

All of the activities are continuing

ASTON UNIVERSITY

BALANCE SHEETS as at 31 July 2007

	NOTE	GROUP 31 July 2007 £000	GROUP 31 July 2006 £000	UNIVERSITY 31 July 2007 £000	UNIVERSITY 31 July 2006 £000
Fixed Assets	11	85,326	88,538	84,807	87,882
Fixed Asset Investments	12	119	87	1,859	2,014
Endowment Asset Investments	13	2,022	1,915	2,022	1,915
Current Assets					
Stocks		43	43	39	39
Debtors	14	8,120	7,914	10,476	10,856
Investments (all cash deposits)		20,956	15,974	20,956	15,974
Cash at Bank and in Hand		1,110	718	322	126
		<u>30,229</u>	<u>24,649</u>	<u>31,793</u>	<u>26,995</u>
Creditors: amounts falling due within one year	15	<u>(19,199)</u>	<u>(15,813)</u>	<u>(19,064)</u>	<u>(17,147)</u>
Net Current Assets		11,030	8,836	12,729	9,848
Creditors: amounts falling due after more than one year	16	<u>(29,726)</u>	<u>(30,536)</u>	<u>(29,726)</u>	<u>(30,536)</u>
Provisions for Liabilities and Charges	17	<u>(294)</u>	<u>(308)</u>	<u>(294)</u>	<u>(308)</u>
TOTAL NET ASSETS excluding pension asset		68,477	68,532	71,397	70,815
Pension asset/(liability)	29	<u>1,524</u>	<u>(2,960)</u>	<u>1,524</u>	<u>(2,960)</u>
TOTAL NET ASSETS including pension asset		<u>70,001</u>	<u>65,572</u>	<u>72,921</u>	<u>67,855</u>
Represented by					
Deferred Capital Grants	18	15,169	15,656	15,169	15,656
Endowments	19	2,022	1,915	2,022	1,915
Reserves:					
Revaluation Reserve	20	21,616	22,583	21,616	22,583
General Reserves	21	29,670	28,378	32,590	30,661
Pension Reserve	21	<u>1,524</u>	<u>(2,960)</u>	<u>1,524</u>	<u>(2,960)</u>
		<u>52,810</u>	<u>48,001</u>	<u>55,730</u>	<u>50,284</u>
TOTAL FUNDS		<u>70,001</u>	<u>65,572</u>	<u>72,921</u>	<u>67,855</u>

The financial statements were approved by the Finance Committee on 15 October 2007 and by the Council on 31 October 2007, and were signed on its behalf by the Treasurer and by the Vice-Chancellor as holder of the principal office holder, as defined in the Financial Memorandum.

Dr J Parnaby, CBE
Treasurer

Professor JE King
Vice-Chancellor

ASTON UNIVERSITY

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 July 2007

	Note	2006-07 £000	2005-06 £000
Net cash inflow from operating activities	25	8,695	2,906
Returns on investments and servicing of finance	26	(592)	(287)
Capital expenditure and financial investment	27	(3,187)	(7,279)
Cash inflow/(outflow) before use of liquid resources		<u>4,916</u>	(4,660)
(Outflow)/inflow of management of liquid resources	28	(4,987)	(445)
Financing	28	(276)	6,964
Increase/(decrease) in cash	28	<u>(347)</u>	1,859

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2006-07 £000	2005-06 £000
Increase/(decrease) in cash		(347)	1859
Increase/(decrease) in short term deposits	28	4,987	445
Long-term loan taken out in the year	28	-	(7,310)
Long-term loan repaid in the year	28	276	345
Change in Net Funds	28	<u>4,916</u>	(4,661)
Net debt at 1 August	28	(14,033)	(9,372)
Net debt at 31 July	28	<u>(9,117)</u>	(14,033)

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS

1. FUNDING COUNCIL GRANTS (HEFCE)	2006-07	2005-06
	£000	£000
Recurrent Grant	25,731	24,410
Specific Grants:		
Higher Education Innovation Fund	871	1,403
Foundation Degrees	-	-
Research Support Libraries	-	-
Summer Schools	5	48
Learning & Teaching Development	155	181
Rewarding and Developing staff	1,398	1,439
Other	88	74
Sub-total	28,248	27,555
Deferred Capital Grants released in the year (note 18)	2,090	1,157
	30,338	28,712
	=====	=====

2. ACADEMIC FEES & SUPPORT GRANTS	2006-07	2005-06
	£000	£000
Home and EU students	12,149	9,363
Overseas students	14,222	10,468
Short Course fees	1,226	1,353
Support grants including bench fees and CASE awards	645	627
	28,242	21,811
	=====	=====

3. RESEARCH GRANTS & CONTRACTS	2006-07	2005-06
	£000	£000
Research Councils and UK-based Charities	3,342	2,849
Other research grants and contracts	4,128	4,367
	7,470	7,216
	=====	=====

Other research grants and contracts includes £913,000 (2005-06: £860,000) in respect of deferred capital grant releases from non-HEFCE sources.

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

4. OTHER OPERATING INCOME	2005-06	2004-05
	£000	£000
Residences, Catering and Conferences	7,702	7,596
Other Services Rendered	4,491	2,660
Rents and hire of rooms	111	262
Sport & Recreation	651	613
Nursery	313	224
Multi-media Services	80	47
Aston Academy of Life Sciences	516	203
Departmental Earnings	327	1,219
ERASMUS Grants	70	57
AWM & other revenue grant income	2,436	2,065
Release of non-HEFCE deferred capital grants	979	1,222
Recovery of VAT	74	190
Income from exploitation of IPR	1,387	1,047
Other income	556	609
	19,693	18,014
	=====	=====

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	2006-07	2005-06
	£000	£000
Income from Endowments (note 19)	69	63
Other investment income and interest receivable	1,075	813
Net return on AUPS (note 29)	198	183
	1,342	1,059
	=====	=====

6. STAFF	2006-07	2005-06
	£000	£000
Costs of all wages and salaries:		
Basic pay	41,486	37,390
Employer's Social Security	3,509	3,148
Employer's pension contributions including FRS 17 adjustment (note 29)	4,416	4,114
Total Pay Costs	49,411	44,652
Restructuring Costs	-	-
	49,411	44,652
	=====	=====

(See note 9 for analysis by activity)

Emoluments of the Vice-Chancellor MT Wright (resigned 30 November 2006) :		
Salary in respect of the current year	71	201
Performance related pay		
In respect of the current year	-	20
Benefits in Kind	19	27
Total	90	248
	=====	=====

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

6. STAFF (continued)

Emoluments of the Vice-Chancellor JE King (appointed 01 November 2006) :		
Salary in respect of the current year	141	-
Performance related pay		
In respect of the current year	20	-
Benefits in Kind	0	-
Total	<u>161</u>	-
	=====	

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff below, i.e. excluding employer's Social Security and pension contributions and including benefits in kind. The University's pension contributions to USS are paid at the same rate as for other academic staff and amounted to £19,747 (2005-06 £20,163) for MT Wright and £11,208 (2005-06 £Nil) for JE King.

Remuneration of other Higher Paid Staff, excluding employer's Social Security and pension contributions:			2006-07	2005-06
			Number	Number
£70,000	-	£79,999	20	26
£80,000	-	£89,999	17	7
£90,000	-	£99,999	4	5
£100,000	-	£109,999	2	2
£110,000	-	£119,999	5	4
£120,000	-	£129,999	2	-
£140,000	-	£149,999	0	1
£150,000	-	£159,999	2	1
£160,000	-	£169,999	1	1
			=====	

The average number of staff employed, expressed as full-time equivalents and analysed over activity, is as follows:

Academic	423	447
Technical	60	61
Administrative	244	228
Clerical, manual and other	444	432
	<u>1,171</u>	1,168
	=====	

Note: The above excludes staff at Aston Students' Guild, which in accordance with Accounting Policy number 3, is not consolidated with the University's Accounts.

7. OTHER OPERATING EXPENSES	2006-07	2005-06
	£000	£000
Consumables, laboratory and other expenses in Academic Departments	5,444	4,410
Library, Information Systems and other Academic Services	1,924	2,414
Research Grants and Contracts	3,040	2,727
Residences, Catering and Conferences	2,629	2,657
Maintenance of premises, insurance and utilities	4,494	4,043
Administrative and Central Services	2,409	2,112
General Educational expenditure including the non pay costs of certain grants	2,155	1,680

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

7. OTHER OPERATING EXPENSES (continued)

Student & Staff Facilities	850	799
Other Services Rendered	2,159	1,884
Miscellaneous expenditure	927	445
	<u>26,031</u>	<u>23,171</u>
	=====	

8. INTEREST PAYABLE

Interest payable, £1,736,000 (2005-06: £1,163,000), relates to loans repayable by instalments in more than five years.

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

2006-07	Staff Costs £000	Depr'n £000	Operating Expenses £000	Total £000
Academic Departments	26,876	4,376	5,444	36,696
Academic Services	2,970	395	1,924	5,289
Research Grants and Contracts	2,764	913	3,040	6,717
Residences, Catering and Conferences	1,253	1,137	2,629	5,019
Premises	2,720	2,024	4,494	9,238
Administration and Central Services	9,688	967	5,414	16,069
Other expenses	2,712	-	3,086	5,796
FRS 17 adjustment	428	-	-	428
Total per Income and Expenditure Account	<u>49,411</u>	<u>9,812</u>	<u>26,031</u>	85,252
	=====			

The depreciation charge has been funded by:

Deferred Capital Grants released (note 18)	3,982
Revaluation Reserve released (note 20)	967
General income	<u>4,863</u>
	<u>9,812</u>
	=====

2005-06	Staff Costs £000	Depr'n £000	Operating Expenses £000	Total £000
Academic Departments	24,771	3,321	4,410	32,502
Academic Services	2,472	359	2,414	5,245
Research Grants and Contracts	2,761	861	2,727	6,349
Residences, Catering and Conferences	1,175	1,139	2,657	4,971
Premises	2,505	1,737	4,043	8,285
Administration and Central Services	9,158	1,071	4,591	14,820
Other expenses	1,693	-	2,329	4,022
FRS 17 adjustment	117	-	-	117
Total per Income and Expenditure Account	<u>44,652</u>	<u>8,488</u>	<u>23,171</u>	76,311
	=====			

The depreciation charge has been funded by:

Deferred Capital Grants released (note 18)	3,239
Revaluation Reserve released (note 20)	967
General income	<u>4,262</u>
	<u>8,488</u>
	=====

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

10. TAXATION

There is no liability for taxation because of the University's taxation status as set out in Accounting Policy number 12.

11. FIXED ASSETS GROUP

	Land and Buildings			Total	Equipment		
	Freehold	Leasehold	Long Construction in progress		Work in progress	Total	
	£000	£000	£000	£000	£000	£000	£000
<u>Valuation / Cost</u>							
At 1 August 2006	94,667	1,423	1,006	97,096	28,586	2,010	127,692
Transfers	2,399	-	(2,929)	(530)	3,705	(3,175)	-
Additions at cost	(393)	-	3,692	3,299	1,241	2,083	6,623
Disposals	-	-	-	-	(97)	-	(97)
At 31 July 2007	<u>96,673</u>	<u>1,423</u>	<u>1,769</u>	<u>99,865</u>	<u>33,435</u>	<u>918</u>	<u>134,218</u>
<u>Depreciation</u>							
At 1 August 2006	24,007	743	-	24,750	14,405	-	39,154
Disposals	-	-	-	-	(74)	-	(74)
Charge for year	3,539	62	-	3,601	6,211	-	9,812
At 31 July 2007	<u>27,546</u>	<u>805</u>	<u>-</u>	<u>28,351</u>	<u>20,542</u>	<u>-</u>	<u>48,892</u>
Net Book Value at 31 July 2007	<u>69,127</u>	<u>618</u>	<u>1,769</u>	<u>71,514</u>	<u>12,894</u>	<u>918</u>	<u>85,326</u>
Net Book Value at 31 July 2006	<u>70,660</u>	<u>680</u>	<u>1,006</u>	<u>72,346</u>	<u>14,182</u>	<u>2,010</u>	<u>88,538</u>

UNIVERSITY	Land and Buildings			Total	Equipment		
	Freehold	Leasehold	Long Construction in progress		Work in progress	Total	
	£000	£000	£000	£000	£000	£000	£000
<u>Valuation / Cost</u>							
At 1 August 2006	93,313	1,423	1,006	95,742	28,391	2,010	126,143
Transfers	2,399	-	(2,929)	(530)	3,705	(3,175)	-
Additions at cost	(393)	-	3,692	3,299	1,238	2,083	6,620
Disposals	-	-	-	-	(97)	-	(97)
At 31 July 2007	<u>95,319</u>	<u>1,423</u>	<u>1,769</u>	<u>98,511</u>	<u>33,237</u>	<u>918</u>	<u>132,666</u>
<u>Depreciation</u>							
At 1 August 2006	23,298	743	-	24,041	14,220	-	38,261
Disposals	-	-	-	-	(73)	-	(73)
Charge for year	3,404	62	-	3,466	6,205	-	9,671
At 31 July 2007	<u>26,702</u>	<u>805</u>	<u>-</u>	<u>27,507</u>	<u>20,352</u>	<u>-</u>	<u>47,859</u>
Net Book Value at 31 July 2007	<u>68,617</u>	<u>618</u>	<u>1,769</u>	<u>71,004</u>	<u>12,885</u>	<u>918</u>	<u>84,807</u>
Net Book Value at 31 July 2006	<u>70,015</u>	<u>680</u>	<u>1,006</u>	<u>71,701</u>	<u>14,171</u>	<u>2,010</u>	<u>87,882</u>

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

12. INVESTMENT IN SUBSIDIARIES/MINORITY INTERESTS

The University owns all of the issued share capital of the following subsidiary companies, all of which are registered in England and Wales.

	2006-07			2005-06		
	Cost	Amount provided	Net Investment	Cost	Amount provided	Net Investment
	£	£	£	£	£	£
Aston Technical Management & Planning Services Limited	187,093	187,093	-	187,093	-	187,093
Conference Aston	1,740,100	-	1,740,100	1,740,100	-	1,740,100
Aston Academy of Life Sciences Limited	100	-	100	100	-	100
			<u>1,740,200</u>			<u>1,927,293</u>

In addition there are two companies limited by guarantee, ETC-TV Limited and Education Television Limited, for which no contribution has been required.

These are consolidated as explained in Accounting Policy number 3.

The principal activities of the subsidiaries are as follows:

Aston Technical Management & Planning Services Limited	Management of student residences
Conference Aston	Management of conference activities
Aston Academy of Life Sciences Limited	Undertaking eye surgery and other associated services
ETC-TV Limited	Dormant
Education Television Limited	Dormant

In addition the University has the following interests at nil cost in spin-out companies registered in England and Wales, neither of which traded during the year ended 31 July 2007:

	Number of shares	Equity share	2006-07
			Net Investment
Astisen Limited	10000	50%	-
Protamax Limited	8000	40%	-

The University also has minority interests in the following companies:

	2006-07			2005-06		
	Cost	Amount provided	Net Investment	Cost	Amount provided	Net Investment
	£	£	£	£	£	£
Aston Science Park Limited	9,998	-	9,998	9,998	-	9,998
Cardionetics Limited	71,525	71,525	-	71,525	71,525	-
CVCP Head Office	31,539	-	31,539	31,539	-	31,539
Advantage Growth Fund	45,030	-	57,030	24,030	-	45,030
OSI Pharmaceuticals Inc	10	-	10	10	-	10
West Midlands Technology Transfer Centre Limited	15	-	15	15	-	15
Protomax	80	-	80	-	-	-
Mercia Fund 2	20,003	-	20,003	-	-	-
			<u>118,675</u>			<u>86,592</u>
Total investment in subsidiaries and minority interests			<u>1,858,875</u>			<u>2,013,885</u>
			=====			=====

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

13. ENDOWMENT ASSET INVESTMENTS

GROUP AND UNIVERSITY	2006-07 £000	2005-06 £000
Balance at 1 August	1,915	1,821
Additions	5	-
Change in market value	101	57
Increase in short term deposits	1	37
Balance at 31 July	<u>2,022</u>	<u>1,915</u>
=====		
Represented by:		
Hermes Property Unit Trusts	163	147
Charities Official Investment Fund	703	643
Other listed investments	555	529
Short Term Deposits (note 29)	601	596
	<u>2,022</u>	<u>1,915</u>
	=====	

14. DEBTORS

	GROUP 2006-07 £000	GROUP 2005-06 £000	UNIVERSITY 2006-07 £000	UNIVERSITY 2005-06 £000
Research grants and contracts	1,044	2,316	1,044	2,316
Due from subsidiary undertakings	-	-	2,689	3,247
Other debtors and prepayments	7,076	5,598	6,743	5,293
	<u>8,120</u>	<u>7,914</u>	<u>10,476</u>	<u>10,856</u>
	=====			

15. CREDITORS: Amount falling due within one year

	GROUP 2006-07 £000	GROUP 2005-06 £000	UNIVERSITY 2006-07 £000	UNIVERSITY 2005-06 £000
Research grants and contracts received in advance	3,678	2,451	3,678	2,451
Other creditors and commitments	13,463	12,578	13,328	12,427
Due to subsidiary undertakings	-	-	-	1,485
Bank overdraft	1,018	278	1,018	278
Repayment of bank loans	1,040	506	1,040	506
	<u>19,199</u>	<u>15,813</u>	<u>19,064</u>	<u>17,147</u>
	=====			

ASTON UNIVERSITY

16. CREDITORS: Amount falling due after more than one year

GROUP AND UNIVERSITY	2006-07 £000	2005-06 £000
Long-Term Loans	29,726	30,536
=====		
The loan falls due for repayment in instalments as follows:	£000	£000
Between 1 and 2 years	971	947
Between 2 and 5 years	13,072	12,993
After 5 years	15,683	16,596
	29,726	30,536
=====		

The long-term loans comprise:

- A term loan of £10.7 million drawn down in four tranches each with separate rates of interest, variable or fixed, negotiated at the time of draw down, payable in quarterly instalments from 2000 to 2024.
- A term loan of £10 million with rates of interest negotiated at the time of draw down. Payable in quarterly instalments from 2007 to 2025
- A revolving loan of £10 million with drawings maturing in 2006 but where committed facilities from the same lender are in place until 2010.

The weighted average interest rate for these loans was 5.7% per annum.

17. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP AND UNIVERSITY	At 1 August 2006 £000	Utilised in year £000	Increase in Provision £000	At 31 July 2007 £000
Liability to Superannuation Schemes				
Supplementary pensions	252	(24)	-	227
West Midlands Metropolitan Authorities Pension Fund	56	(24)	34	66
	<u>308</u>	<u>(48)</u>	<u>34</u>	<u>294</u>
=====				

18. DEFERRED CAPITAL GRANTS

GROUP AND UNIVERSITY	2006-07			2005-06		
	HEFCE £000	Other £000	Total £000	HEFCE £000	Other £000	Total £000
At 1 August	13,583	2,073	15,656	8,420	3,935	12,355
12,355 Grants received	3,453	42	3,495	6,320	220	6,540
Released to Income and Expenditure (notes 1, 3 and 4)	(2,090)	(1,892)	(3,982)	(1,157)	(2,082)	(3,239)
At 31 July	14,946	223	15,169	13,583	2,073	15,656
=====						

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

19. ENDOWMENTS GROUP AND UNIVERSITY	Specific £000	General £000	Total £000
At 1 August 2006	1,361	554	1,915
Appreciation of Endowment Asset Investments	75	26	101
Income for the year	57	12	69
Additions	5	-	5
Expenditure for the year	<u>(10)</u>	<u>(58)</u>	<u>(68)</u>
At 31 July 2007	<u>1,488</u>	<u>534</u>	<u>2,022</u>

Representing:

Scholarship and Prize funds	397
Chairs and Lectureship funds	963
Other funds	<u>662</u>
	<u>2,022</u>

20. REVALUATION RESERVE GROUP AND UNIVERSITY	2006-07 £000	2005-06 £000
At 1 August	22,583	23,550
Released in year (note 9)	<u>(967)</u>	<u>(967)</u>
At 31 July	<u>21,616</u>	<u>22,583</u>

21. GENERAL RESERVES AND PENSION RESERVE

GENERAL RESERVES GROUP	At 1 August 2006 £000	Deficit after depr'n of assets at valuation £000	Release/ disposal from Reval'n Reserve (note 20) £000	Transfer £000	At 31 July 2007 £000
Revenue Reserve	9,121	325	967	690	11,103
Capital Reserve	19,257	-	-	(690)	18,567
	<u>28,378</u>	<u>325</u>	<u>967</u>	<u>-</u>	<u>29,670</u>

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

21. GENERAL RESERVES AND PENSION RESERVE (continued)

UNIVERSITY

	At 1 August 2006	Surplus after depr'n of assets at valuation	Release/ disposal from Reval'n Reserve (note 20)	Transfer	At 31 July 2007
	£000	£000	£000	£000	£000
Revenue Reserve	12,060	962	967	553	14,542
Capital Reserve	18,601	-	-	(553)	18,048
	<u>30,661</u>	<u>962</u>	<u>967</u>	<u>-</u>	<u>32,590</u>

GROUP AND UNIVERSITY

	At 1 August 2006	FRS 17 movement in income and expenditure account	Actuarial gain	At 31 July 2007
	£000	£000	£000	£000
Pension reserve	(2,960)	(230)	4,714	1,524

22. LEASE OBLIGATIONS

There are no significant lease obligations.

23. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the year end, capital items contracted for but not yet received amounted to £2,157,000 (2005-06 £1,838,000).

The University has given an undertaking to its bankers in respect of a lost share certificate, the market value of which was £305,040 at 31 July 2007 (2004-05 £257,808).

The student residences project currently being undertaken has incurred costs of £3.659 million through Aston Student Villages (ASV) since inception. These costs, as approved by Council, have been underwritten by the University in the event that the project is not undertaken and ASV is wound up.

24. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the Council (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

25. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2006-07 £000	2005-06 £000
(Deficit) after depreciation of assets	95	(662)
Depreciation (note 9)	9,812	8,488
Profit on disposal of fixed assets	(6)	-
Deferred Capital Grants released to income (notes 1, 3, and 4)	(3,982)	(3,239)
Investment income including FRS 17 adjustment (note 5)	(1,342)	(1,059)
Interest payable	1,736	1,163
(Increase)/decrease in Stocks	0	(16)
(Increase) in Debtors	(206)	(2,438)
Increase/(Decrease) in Creditors	2,174	946
(Decrease)/Increase in Provisions	(14)	(394)
Increase/(Decrease) due to employer pension cost (FRS17)	428	117
Net Cash Inflow from Operating Activities	<u>8,695</u>	<u>2,906</u>

26. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2006-07 £000	2005-06 £000
Income from Endowments (note 19)	69	63
Income from Short Term Investments	1,075	813
Interest paid	(1,736)	(1,163)
	<u>(592)</u>	<u>(287)</u>

27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2006-07 £000	2005-06 £000
Tangible Assets acquired (note 11)	(6,623)	(13,798)
Endowments Received	5	-
Investments acquired	(32)	(21)
Receipts from sales of Tangible Assets	30	-
Deferred Capital Grants received (note 18)	3,433	6,540
	<u>(3,187)</u>	<u>(7,279)</u>

28. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2006 £000	Cash Flows £000	At 31 July 2007 £000
Cash at Bank and in Hand	718	392	1,110
Bank Overdraft (note 15)	(278)	(740)	(1,018)
Sub-total		<u>(348)</u>	
Short-Term Deposits: Current Assets	15,974	4,982	20,956
Endowment Assets (note 13)	596	5	601
Sub-total		<u>4,987</u>	
Long-term loan (note 16)	(31,042)	276	(30,766)
Total	<u>(14,032)</u>	<u>(4,915)</u>	<u>(9,117)</u>

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

29. PENSION SCHEMES

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Aston University Pension Scheme (AUPS). USS provides benefits based on final pensionable salary for academic and academic-related employees of all UK universities and other employees. AUPS provides similarly calculated benefits for other staff of the University.

The total pension cost for the University was:

	2006-07	2005-06
	£000	£000
Contributions to USS	3,451	3,094
Contributions to AUPS including FRS 17 adjustment	959	1,017
Contributions to Other Pension Schemes	6	3
Total Pension Cost	4,416	4,114
	=====	

These amounts include contributions due but not paid at the year end as follows :

	2006-07	2005-06
	£000	£000
USS	449	414
AUPS	126	123
	=====	

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 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.

The latest actuarial valuation of the scheme was at 31 March 2005. 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 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 in line with 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. The valuation was carried out using the projected unit method.

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.

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

29. PENSION SCHEMES (continued)

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 the valuation date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. 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 FRS 17 formulae as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

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. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as 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 next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation. The contribution rate payable by the institution was 14% of pensionable salaries.

AUPS

The assets of the Scheme are held in a separate trustee-administered fund. The Scheme is a defined benefit scheme which is funded and valued every three years by the actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary. A full actuarial valuation was carried out at 1 April 2004 and was updated for FRS 17 purposes to 31 July 2005 and 31 July 2006 by a qualified independent actuary. The major assumptions and other data used by the actuary were:

	2006-07	2005-06	2004-05
Salary scale increases per annum	4.25%	4.25%	4.0%
Pension increases per annum (post 1.9.90 joiners)	3.0%	3.0%	2.75%
Pension increases per annum (pre 1.9.90 joiners)	3.6%	3.25%	3.0%
Discount rate	5.50%	5.25%	5.0%
Price inflation	3.0%	3.0%	2.75%

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The scheme assets and the assumptions on investment returns were:

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

29. PENSION SCHEMES (continued)

	Expected long term rate of return	Value at 31 July 2007 £000	Expected long term rate of return	Value at 31 July 2006 £000	Expected long term rate of return	Value at 31 July 2005 £000
Equities	7.40%	36,223	6.50%	32,710	6.50%	33,639
Fixed interest gilts and cash	4.90%	6,717	4.50%	6,089	4.50%	4,772
Corporate and international bonds	5.80%	<u>6,232</u>	5.25%	<u>5,589</u>	5.00%	<u>715</u>
		49,172		44,388		39,126
		=====		=====		=====

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

	2006-07 £000	2005-06 £000	2004-05 £000
Total market value of assets	49,172	44,388	39,126
Present value of scheme liabilities	<u>47,648</u>	<u>47,348</u>	<u>44,985</u>
Surplus in the scheme – Net pension liability	1,524	(2,960)	(5,859)
	=====	=====	=====

Under the terms of an agreement between the University and AUPS, the University transfers £55,000 each month from 1 January 2004 into a restricted bank account and these funds will be transferred to AUPS as an additional contribution should the funding position of AUPS fall below an agreed threshold. At 31 July 2007 £2,310,000 (31 July 2006 £1,650,000) had been paid into the restricted account and this balance plus accumulated interest of £128,878 is shown within Investments (cash deposits). The amount due for July 2007 was paid into the account in August 2007.

Analysis of the amount charged to the operating profit

	2006-07 £000	2005-06 £000
Service cost	1,373	1,055
Past service cost	-	-
Total operating charge	1,373	1,055
	=====	=====

Analysis of the net return on the pension scheme

	2006-07 £000	2005-06 £000
Expected return on pension scheme assets	2,694	2,437
Interest on pension liabilities	<u>(2,496)</u>	<u>(2,254)</u>
Net return on assets	198	183
	=====	=====

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

29. PENSION SCHEMES (continued)

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

	2006-07	2005-06
	£000	£000
Actual return less expected return on scheme assets	2,072	2,729
Experience gains and losses on scheme liabilities	1,916	-
Changes in assumptions	726	104
Net gain/(loss) recognised in the STRGL	4,714	2,833
	=====	=====

Movement in the surplus/(deficit) during the year

	2006-07	2005-06
	£000	£000
(Deficit) in scheme at the start of the year	(2,960)	(5859)
Movement in the year:		
Current service cost	(1,373)	(1,055)
Contributions	945	938
Past service cost	-	-
Net return on assets	198	183
Actuarial gain/(loss)	4,714	2,833
Surplus in scheme at the end of the year	1,524	(2,960)
	=====	=====

History of experience gains or losses

	2006-07	2005-06	2004-05	2003-04	2002-03
Actual return less expected return on scheme assets					
Amount (£000)	2,072	2,729	5,240	798	(622)
% of scheme assets	4%	6%	13%	3%	(2%)
	=====	=====	=====	=====	=====

Experience gains and losses on scheme liabilities

Amount (£000)	1,916	0	324	1,079	(239)
% of scheme liabilities	4%	0%	1%	3%	(1%)
	=====	=====	=====	=====	=====

Total amounts recognised in statement of total recognised gains and losses

Amount (£000)	4,714	2,833	(394)	940	(3,906)
% of scheme liabilities	10%	6%	(1%)	3%	(11%)
	=====	=====	=====	=====	=====

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

30. HARDSHIP FUNDS AND OPPORTUNITY BURSARIES

	2006-07	2005-06
	£000	£000
Balance unspent at 1 August	14	38
HEFCE Grants (see below)	242	332
Interest received	3	3
Administration costs	(13)	(13)
Disbursed to students	(264)	(346)
Balance unspent/(overspent) at 31 July	(18)	14
	=====	=====

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. Included within Creditors: amounts falling due within one year in note 15 is £198,000 (2006: £198,000) in respect of Hardship money previously disbursed which has been replaced by ESF funding.

31. ASTON STUDENTS' GUILD

The accounts of the Aston Students' Guild are separately audited by Horwath Clark Whitehill.

In accordance with Accounting Policy number 3, the results are not consolidated with the University.

The results to 31 July 2007 are summarised below.

	2006-07	2005-06
	£000	£000
INCOME:		
Block grant from University	566	440
Net trading income	59	80
Other income	97	106
	<u>722</u>	<u>626</u>
EXPENDITURE:		
Central services	329	321
Student services	337	312
	<u>666</u>	<u>633</u>
Operating (deficit)/surplus	55	(7)
Exceptional items	(56)	(6)
Total deficit	(1)	(13)
	=====	=====

The net assets of the Guild are as follows:

Fixed assets	112	90
Net current liabilities	(101)	(79)
Total net assets	<u>10</u>	<u>11</u>
	=====	=====

ASTON UNIVERSITY

NOTES ON THE FINANCIAL STATEMENTS (Continued)

32. FEES PAID TO EXTERNAL AUDITORS

Fees paid to the University's external auditors for the provision of audit services amounted to £27,742 for the University and £6,747 for the subsidiary companies (2005-06 £23,170 for the University and £5,525 for the subsidiary companies). Fees to the auditors for the provision of non-audit services amounted to £211,791 for the University and £2,585 for Aston Academy of Life Sciences and £nil for the other subsidiary companies (2006-07 £38,738 for the University and £nil for the subsidiary companies). Non-audit services comprise tax advisory services and the audit of Capital and Revenue Grants.