

University of East Anglia

Financial Statements

2006 - 2007



University of East Anglia

Norwich NR4 7TJ

Telephone 01603 456161

<http://www.uea.ac.uk>

Vice-Chancellor

Professor Bill Macmillan, BSc, PhD, MA

Treasurer

Jonathan Sisson, FCA

Director of Finance

Stephen Donaldson, BSc, ACA

Deputy Director of Finance

Tim Greenacre, ACMA

Bankers

Barclays Bank plc	NatWest Bank plc
5 - 7, Red Lion Street	Norfolk House
St Stephens	Exchange Street
Norwich	Norwich
NR1 3QH	NR2 1DD

Investment Managers

Gerrard Ltd	The Bank of New York Europe Ltd
Temple Court	One Canada Square
35 Bull Street	London
Birmingham	E14 5AL
B4 6ES	

Auditors

PricewaterhouseCoopers LLP
The Atrium
St Georges Street
Norwich
NR3 1AG

Contents

	Page
Treasurer's report	2
Corporate Governance Statement	4
Independent auditors' report to the Council of the University of East Anglia	6
Statement of accounting policies	8
Consolidated income and expenditure account	11
Statement of consolidated total recognised gains and losses	12
Consolidated balance sheet	13
University balance sheet	14
Consolidated cash flow statement	15
Notes to the financial statements	16

Treasurer's report

Outturn on Activities

The University generated a retained surplus for the year of £3.6m (2005-06: £1.7m) which was significantly better than the deficit anticipated when the budget for 2006/07 was initially set. A number of factors affecting 2006/07 were very difficult to predict and so the initial budget was set at a prudent level. Such factors included the impact of the national pay reforms, introduction of variable fees, and the gradual impact of new funding arrangements for research grants. The lead up to the submission of research activity data for the Research Assessment Exercise at the end of 2007 was also expected to result in additional costs and possibly a dip in research activity during the year. During the year it became clear that the financial position would be better than reflected in the budget, however, the full extent of the improvement only became apparent towards the end of the year. Whilst the surplus remains below the target 3% return on income suggested by HEFCE it nevertheless represents a much more favourable outcome than expected.

Group income increased by £13.2m to £151.2m (2005-06: £138.0m). Funding Council Grants rose by £4.8m from £47.6m to £52.4m, including an increase in the basic HEFCE grant of £3.2m (uplift of 7.8%) and release of additional special grants of £1.6m in relation to long term maintenance costs and funding for carbon reduction projects. Research grants and contracts income fell slightly during the year by £1.1m to £26.3m, mainly as a result of the £0.7m reduction in deferred capital grants released in the year. Research Council grants showed a modest increase of £0.6m against last year (an increase of 4%), offset by a fall of £0.6m in UK charity grants (down by 15%).

Tuition fee income, including teaching contracts, rose by £6.2m to £40.9m. The biggest element of this relates to an increase in tuition fees for UK and EU students, up by £4.1m on 2005-06. In common with virtually all other higher education institutions, the University introduced a standard tuition fee of £3,000 p.a. for the September 2006 new intake. Since the majority of courses run for three years, further significant increases will flow through over the next two years. Overseas recruitment also recovered in 2006-07, following two years of decline, with an increase in fees of £1.4m to £11.0m. This recovery reflects the benefits of improved marketing arrangements in association with the INTO joint venture. From 2007/08, we anticipate further increases in admissions as a result of the natural progression of INTO students at the end of their initial period of study. Other increases, totalling £0.7m, include income for short course fees, NHS funded teaching contracts and other training support grants.

Other income increased in the year to £33.0m from £27.9m last year. This includes an increase in residences, catering and conferences of £1.3m (an uplift of 11% on 2005-06) largely due to the further expansion of new residential accommodation. Other income also included increases in NHS funding of nurse teaching accommodation, income from partner colleges for course/exam validation and income from INTO for provision of temporary accommodation prior to completion of their new building. Growth in other income also includes an increase of £2m in income relating to joint ventures (INTO and University Campus Suffolk). Of course, joint venture income is then deducted from total income in arriving at the figure for Group income.

Total expenditure increased by £11.2m to £148.2m in 2006-07, including an increase in pay costs of £5.9m in the year; up from £77.7m to £83.6m. Pay costs incorporate the impact of the first year of a three year pay settlement; and also the effects of introducing the national pay framework and job grading structure from August 2006. Pay costs also include pension contributions paid by the University, together with an actuarial adjustment to reflect the cost of pension benefits accrued in year. Other operating expenses increased by £4.1m during the year; which includes the effect of inflation plus additional costs relating to residences, long term maintenance, replacement IT systems, and the increase in student bursaries following the introduction of variable tuition fees.

Depreciation and interest charges increased in the year by £0.7m and £0.5m respectively. These are much lower increases than in previous years, reflecting the fact that the major building programme is now coming to an end.

Reserves

General reserves increased by £9.5m to £51.2m. This increase reflects the retained surplus from activities of £3.6m, together with the realisation of investment gains of £0.8m and an actuarial gain of £5.1m in the pension scheme. Investment gains had previously been reported as a revaluation reserve but were realised in the year. The actuarial gain represents a combination of better than expected valuation gains on pension scheme assets and changes in the actuarial valuation of scheme liabilities.

Treasurer's report (continued)

Capital Investment

The net value of tangible fixed assets increased during the year by £11.3m to £221.7m; with total expenditure amounting to £26.8m. Additions included continuing expenditure on student residences; completion of the medical education facilities; refurbishment of science laboratories; further significant investment in IT systems and facilities; and equipment. The single largest project in progress during the year was the refurbishment of the 'Ziggurats' student residences. These are listed buildings, part of the original master plan for the campus when it was created in the early sixties, and extensive work has been needed to bring these properties up to date. The overall project, due to be completed in 2007/08 will cost approximately £8m.

Future investment will continue to be financed by a combination of bank loans, external grant funding, and surpluses generated from activities. Bank loans will generally be used to finance projects such as student residences that provide, with reasonable certainty, a financial return sufficient to cover all associated costs including the cost of the loan.

Operation Cash Flow and Net Debt

Net operating cash flow for the year amounted to £26.4m, compared to £11.6m last year; i.e. an increase of £14.8m. Total debt service costs, relating to both bank loans and finance lease commitments increased to £6.5m for the year (£5.7m: 2005-06). Operating cash flow therefore comfortably exceeds the debt service costs as required under the terms of the University's banking covenant.

Net operating cash flow reflects three key elements:-

- the surplus excluding investment income, interest payable, tax, and joint venture losses for the current year of £6.2m; up from £4.0m last year.
- non cash items charged within the surplus (i.e. depreciation, capital grant release and pension scheme provision) amounting to £9.8m; up from £8.9m last year
- reduction in working capital (stocks, debtors and creditors) of £10.4m; compared to an increase of £1.3m last year. The reduction in the current year includes recovery of £1.5m in respect of start up costs of UCS owed at the start of the year, and receipt of £3.2m relating to special HEFCE grants received but not expended in year. The University also introduced a new deposit scheme for international students during the year with £0.5m deposits held at the end of the year. Other increases in creditors include a number of grants received in advance, accrued expenditure on capital projects, and provisions in respect of redundancy costs.

Overall net debt, being loans and finance leases less investments and cash, has decreased during the year by £4.8m, from £53.4m to £48.6m. The balance owed at the end of the year on the bank loan facility amounted to £80.3m and a further £16m is still available to draw down in future years if required.

Outlook

The University continues to be managed on a prudent basis and, as a result of the hard work of capable and dedicated staff, has achieved significant and sustainable growth over a number of years. Consistent with this prudent approach, and based on the budget setting exercise undertaken in the spring of 2007, a budget deficit has currently been set for 2007/2008. In part this reflects the recent investment in research capacity in preparation for HEFCE's research assessment exercise (RAE). The RAE is due to be completed in 2007-08 and will affect HEFCE grants in support of research activities from 2009-10. Our investment is designed to protect and enhance the level of grant that will be received.

In light of the favourable outturn for 2006/2007, and also taking into account the level of students actually registering at the start of term, the forecast for 2007/2008 will now be updated to reflect any improvement in the financial position.

The higher education sector is becoming increasingly challenging and competitive, as institutions strive to deliver high quality services and attract greater numbers of the most able students. There is therefore pressure to increase investment on a number of fronts; for example, additional academic staff, other resources, and better facilities in order to meet these requirements. The University has already taken steps to improve future prospects such as the establishment of INTO, investment in research capacity and investment in teaching and residential accommodation and is now well placed to benefit from these initiatives over the next few years.

Corporate Governance Statement

This summary describes the approach taken by the University of East Anglia ("the University") with regard to governance, and its purpose is to assist the reader of the financial statements in understanding how the principles have been applied.

Principles and ethos of the University

The University aims to conduct its activities in accordance with the seven principles set out in the Nolan Committee's Report on Standards in Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The University is committed to exhibiting best practice in all aspects of corporate governance; applying the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003, as appropriate to universities, and specifically complying with guidance issued by the Committee of University Chairmen in November 2004.

Statement of the responsibilities of Council

The University is an independent corporation, established under Royal Charter in 1963. In accordance with the Royal Charter, the Council of the University of East Anglia ("the Council") is the governing body responsible for financial and general business matters and for setting the strategic direction of the University. This includes the specific requirement 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 of the group and enable it to ensure that the financial statements are prepared in accordance with the Royal Charter, the Statement of Recommended Practice: "Accounting in Higher Education Institutions", the Accounts Direction and other guidance issued by the Higher Education Funding Council for England ("HEFCE") and relevant accounting standards in the United Kingdom. In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the Council, the Council, through its Vice-Chancellor (the designated office holder), is required to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the University and group and of the surplus or deficit and cash flows for that year.

In preparing 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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the University and group will continue in operation.

The Council has taken reasonable steps to :

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and any other conditions which 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 group and to prevent and detect fraud and other irregularities;
- secure the economic, efficient and effective management of the University's and group's resources and expenditure.

University constitution and structural organisation

The University Council meets four times a year and has several committees, including the Planning and Resources Committee ("PRC"), the Council Membership Committee, the Senior Officers' Remuneration Committee and the Audit Committee. All of these Committees are formally constituted with written terms of reference, specified membership, including a proportion of lay members, and delegated powers. Day to day management of the University is the responsibility of the Executive Team.

A separate body, the Senate, is the academic authority of the University, drawing its membership from the academic and academic-related staff and students of the university and its partner institutions. The University Council consults and receives recommendations from Senate on all academic matters, and retains ultimate responsibility for decisions where academic issues involve financial or other resource implications.

Corporate Governance Statement (continued)

In respect of its strategic and development responsibilities, the Council receives recommendations and advice from the PRC, a joint committee of the Council and of the Senate. This Committee's membership includes two lay members appointed by the Council from amongst its members. PRC, inter alia, recommends to Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Council Membership Committee considers nominations for co-opted vacancies in the Council membership under the relevant Statute. This Committee's membership includes two lay members appointed by the Council from amongst its members.

The Senior Officers' Remuneration Committee determines the remuneration of the most senior staff, including the Vice-Chancellor.

The Audit Committee meets three times a year, with the University's external and internal auditors in attendance, and is comprised entirely of lay members. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans, as well as considering the annual financial statements, prior to the recommendation as to adoption by PRC and Council. Whilst senior officers attend meetings of the Audit Committee as necessary, they are not members of the Committee.

The Executive Team, the senior officer management body, receives reports setting out key performance risk indicators and relevant controls. The team also receive regular reports from the Health and Safety Advisory Committee, which include recommendations for improvement. The Vice-Chancellor, as Chairman of the Executive Team and as the Responsible Officer under the Terms of the Financial Memorandum with HEFCE, receives regular reports from the internal auditors and assurances from the Audit Committee (via the Council) on internal financial controls and Value for Money, which include recommendations for improvement. The Audit Committee's role has been augmented to include review of the effectiveness of the risk management process and the quality of information feeding into that process. The Council's agenda includes a regular item for consideration of risk and control. The emphasis is on obtaining the relevant degree of assurance.

Statement on Internal Control

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 process for identifying, evaluating and managing the University's significant risks is now well developed and will be regularly reviewed by the Council and adapted in the light of experience. The process accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education.

The Audit Committee reviews the process for identifying and managing risk and undertakes an annual programme of activity, designed to provide assurance to Council on the effectiveness of risk management arrangements. At each meeting a key risk contained within the risk register is reviewed with the attendance of the officer responsible for managing the risk. The Audit Committee is assisted in its work by the internal and external auditors.

Statement of disclosure of information to auditors

The members of Council confirm, so far as they are aware, there is no relevant audit information of which the University's auditors are unaware. They also confirm they have taken all the steps they ought to have taken as members of Council in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Availability of financial statements on the web site

The Annual Financial Statements are available on the University's web site. The maintenance and integrity of the University's web site is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual financial statements may differ from legislation in other jurisdictions.

Appointment of auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors. A resolution will be passed by Council concerning their appointment as auditors.

Signed on behalf of Council on 3 December 2007:

Independent auditors' report to the Council of University of East Anglia

We have audited the financial statements ("the financial statements") of the University of East Anglia for the year ended 31 July 2007, which comprise the statement of accounting policies, the consolidated income and expenditure account, the statement of consolidated total recognised gains and losses, the consolidated and University balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of endowment investments and certain current asset investments) and in accordance with the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Council and Auditors

The Council's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England ("HEFCE"), the Statement of Recommended Practice - Accounting for Further and Higher Education, applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Responsibilities of Council.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Council of the University in accordance with the Charter and Statutes of the University. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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, in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the financial memorandum with HEFCE and with the funding agreement with the Training and Development Agency for Schools. We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Treasurer's Report and the Corporate Governance Statement.

We also review the statement of internal control, included as part of the Corporate Governance Statement, and comment if the statement is inconsistent with our knowledge of the University and Group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Code of Practice. 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 us 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.

Independent auditors' report to the Council of the University of East Anglia (continued)

Opinion

In our opinion:

- i the financial statements give a true and fair view of the state of the affairs of the University and the group as at 31 July 2007 and of the surplus of income over expenditure, recognised gains and losses and cash flows of the Group for the year then ended, and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education and United Kingdom Generally Accepted Accounting Practice;
- ii in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;
- iii in all material respects, income has been applied in accordance with the University's Statutes and where appropriate in accordance with the Financial Memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Norwich

16 December 2007

The maintenance and integrity of the University of East Anglia website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of accounting policies

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

1 Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of endowment asset investments and certain current asset investments, in accordance with the Statement of Recommended Practice : Accounting for Further and Higher Education (2003) (the "SORP") and in accordance with applicable accounting standards in the United Kingdom.

2 Basis of consolidation

The consolidated financial statements incorporate the University and all of its subsidiary undertakings, joint ventures and associates for the year ended 31 July 2007. Intra-group sales and profits between the University and its subsidiaries are eliminated fully on consolidation.

The University does not have the ability to exercise a dominant influence over the Union of UEA Students and therefore the accounts of that body are not consolidated within these financial statements. The University has taken the exemption available not to disclose a separate University Income and Expenditure Account.

The University includes its share of each joint venture's gross assets and liabilities and each associate's net assets/liabilities in the consolidated balance sheet. The share of each joint venture's and each associate's net income is reported in the consolidated income and expenditure account.

3 Recognition of income

Income from tuition fees is recognised in the period to which it relates and includes all fees chargeable to students or their sponsors.

Income receivable from the funding bodies is recognised on a receivable basis and represents the allocated award for the academic year. Provision is made for clawbacks from the funding bodies where student targets have not been met and clawback is probable.

Donations and non-specific endowments of cash or cash-in-kind are recognised upon receipt.

Income from specific endowments, research grants and other contracts is released to match expenditure incurred during the year together with any related contributions towards overhead costs. All income from short term deposits is credited to the income and expenditure account on a receivable basis.

4 Pension costs

The two principal pension schemes for the University's staff are the national Universities Superannuation Scheme ("USS") and the University of East Anglia Staff Superannuation Scheme ("UEASSS"), both defined benefit schemes contracted out of the State Second Pension. The assets of each scheme are held in separate trustee administered funds.

USS

Given the nature of the scheme it is not possible to identify each institutions share of the underlying assets and liabilities of the scheme and hence contributions are accounted for as if it were a defined contribution scheme. The cost recognised in the income and expenditure account represents the contributions payable in the year.

Statement of accounting policies (continued)

4 Pension costs (continued)

UEASSS

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated in accordance with FRS 17 requirements at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

The amounts charged to the income and expenditure account are as follows. The current service costs and gains and losses on settlements and curtailments are included as part of staff costs. The expected return on assets, net of the impact of the unwinding of the discounts on the scheme's liabilities, is shown within interest payable or other income. Actuarial gains and losses, including differences between expected and actual return on assets, are recognised immediately in the statement of total recognised gains and losses. Further details regarding the scheme are contained in note 27 to the financial statements.

Other pension schemes

The University also contributes to the Federated Superannuation Scheme for Universities and the National Health Service Pension Scheme. Contributions are charged to the income and expenditure account as payable.

5 Tangible fixed assets and depreciation

Tangible fixed assets are those tangible assets intended to be used on a continuing basis in the activities of the University or of its subsidiary companies.

- a Land and buildings are stated at purchase cost, together with any incidental costs of acquisition and attributable finance costs, or, if donated, at open market value at the date of donation. Land is held freehold and is not depreciated. Freehold buildings are depreciated over their expected useful life of 50 years, on a straight line basis. Leasehold buildings are depreciated over the shorter of the lease term and 50 years.
- b Adaptations and remodelling of buildings are capitalised at cost and are depreciated over their expected useful life of between fifteen and twenty five years, on a straight line basis.
- c Plant and equipment are capitalised at cost and are depreciated over their expected useful lives on a straight line basis, equipment over four years and plant over fifteen years.
- d Art collections donated to the University are stated at estimated valuation at the date of receipt and purchased additions are capitalised at cost. These assets are not depreciated.

Provision is made for impairment of assets, where, in the opinion of Council, there has been a permanent reduction in value.

6 Library books and periodicals

Expenditure on books, periodicals and other documents acquired by the Library is charged to revenue in the year incurred.

7 Investments

Fixed asset investments, with the exception of endowments, are stated at cost less provision for diminution in carrying value where, in the opinion of Council, there has been a permanent reduction in value.

Endowment asset investments are included in the balance sheet at market value.

Short-term deposits are stated at cost. Other current asset investments are stated at market value.

Investments in subsidiary companies are included in the balance sheet at cost, subject to reviews for impairment.

8 Deferred capital grants

Where a fixed asset is acquired with the aid of a specific grant or gift, they are capitalised and depreciated as indicated above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the estimated useful economic life of the related assets.

Statement of accounting policies (continued)

9 Specific endowments

The unspent balances of bequests and gifts received, for which the use of the capital and income is restricted to specific purposes designated by the donors, are included in the balance sheet as specific endowments. Transfers are made from specific endowments to income or to deferred capital grants as appropriate to match funded expenditure.

10 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the year end. Gains and losses on translation are included in the income and expenditure account.

11 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 1988.

12 Stock

Stock is stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation. Where necessary provision is made for obsolete, slow moving and defective stocks.

13 Cash and liquid resources

Cash includes cash in hand, deposits repayable on demand without penalty and overdrafts. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities.

14 Leases

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

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

15 Finance Costs

Finance costs which are directly attributable to the construction of buildings are capitalised, up to the point when the asset is ready for use.

16 Provisions

Provisions are recognised to the extent the University or its subsidiary undertakings have a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Consolidated income and expenditure account for the year ended 31 July 2007

	Note	2007 £'000	2007 £'000	2006 £000
Income				
Funding council grants	1	52,360		47,604
Tuition fees and education contracts	2	40,863		34,677
Research grants and contracts	3	26,338		27,410
Other income	4	32,962		27,852
Endowment and investment income	5	1,658		1,406
Total income: group and share of joint ventures' and associates' income		154,181		138,949
Less: share of joint ventures' and associates' income		(2,958)		(981)
Group income			151,223	137,968
Expenditure				
Staff costs	6		83,573	77,636
Other operating expenses	7		44,226	40,175
Depreciation	11		15,511	14,786
Interest payable	8		4,847	4,340
Total expenditure	9		148,157	136,937
Share of operating loss in joint ventures and associates			(187)	(245)
Surplus before tax			2,879	786
Taxation	10		(101)	7
Surplus for the financial year			2,778	793
Transfer from accumulated income within specific endowments	22		836	937
Surplus for the year retained within general reserves	23		3,614	1,730

The income and expenditure for the two years relate entirely to continuing operations.

There is no difference between the surplus stated above and that under a historical cost basis.

Statement of consolidated total recognised gains and losses for the year ended 31 July 2007

	<i>Note</i>	2007 £000	2006 £000
Surplus for the financial year		2,778	793
Appreciation of current asset investments	23	42	63
Appreciation of endowment asset investments	22	123	170
New endowments	22	1,334	1,395
Actuarial gains	27	5,121	504
Total recognised gains relating to the year		<u>9,398</u>	<u>2,925</u>
Opening reserves as previously stated		48,093	45,168
Prior year adjustment (see below)		(666)	(666)
Opening reserves as restated		<u>47,427</u>	<u>44,502</u>
Total recognised gains relating to the year (as above)		9,398	2,925
Closing reserves and endowments		<u>56,825</u>	<u>47,427</u>

The restatement relates to the grossing up of accrued income and deferred capital grants by £666,000.

Consolidated balance sheet as at 31 July 2007

	Note	2007		2006
		£000	£000	£000
Fixed assets				(restated)
Tangible assets	11		221,660	210,404
Investments in joint ventures	12			
Share of gross assets		11,985		1,432
Share of gross liabilities		(12,417)	(432)	(1,677)
Investments in associates	12			
Share of net assets			-	-
Other investments	13		75	75
			<u>221,303</u>	<u>210,234</u>
Endowment assets	15		5,631	5,010
Current assets				
Stocks: raw materials and consumables			407	372
Debtors	16		14,599	18,000
Investments	17		29,272	24,071
Cash at bank and in hand			3,591	5,629
			<u>47,869</u>	<u>48,072</u>
Creditors: Amounts falling due within one year	18		(33,870)	(26,850)
Net current assets			13,999	21,222
Total assets less current liabilities			<u>240,933</u>	<u>236,466</u>
Creditors: Amounts falling due after more than one year	19		(79,814)	(81,520)
Provisions for liabilities and charges	20		(786)	(965)
Net assets excluding pension liability			<u>160,333</u>	<u>153,981</u>
Pension liability	27		(2,785)	(6,987)
Net assets			<u>157,548</u>	<u>146,994</u>
Represented by:				
Deferred capital grants	21		100,723	99,567
Specific endowments	22		5,631	5,010
			<u>106,354</u>	<u>104,577</u>
Reserves				
I & E reserve excluding pension reserve			53,979	48,635
Pension reserve	27		(2,785)	(6,987)
I & E reserve including pension reserve	23		51,194	41,648
Revaluation reserve	23		-	769
Total reserves			<u>51,194</u>	<u>42,417</u>
Total funds			<u>157,548</u>	<u>146,994</u>

The comparative balance sheet has been restated to reflect the grossing up of accrued income and deferred capital grants of £666,000.

The financial statements were approved by the Council on 3 December 2007 and have been signed on its behalf by:

Bill Macmillan

Vice-Chancellor

Jonathan Sisson

Treasurer

Stephen Donaldson

Director of Finance

University balance sheet as at 31 July 2007

	Note	2007 £000	2006 £000 (restated)
Fixed assets			
Tangible assets	11	219,258	206,813
Investments in subsidiaries	14	7,487	7,487
Other investments	13	36	36
		<u>226,781</u>	<u>214,336</u>
Endowment assets	15	<u>5,631</u>	<u>5,010</u>
Current assets			
Stocks: raw materials and consumables		407	372
Debtors	16	17,934	19,685
Investments	17	28,772	23,571
Cash at bank and in hand		1,264	3,417
		<u>48,377</u>	<u>47,045</u>
Creditors: Amounts falling due within one year	18	<u>(34,766)</u>	<u>(24,928)</u>
Net current assets		13,611	22,117
Total assets less current liabilities		<u>246,023</u>	<u>241,463</u>
Creditors: Amounts falling due after more than one year	19	(79,146)	(80,582)
Provisions for liabilities and charges	20	(786)	(965)
Net assets excluding pension liability		<u>166,091</u>	<u>159,916</u>
Pension liability	27	(2,785)	(6,987)
Net assets		<u>163,306</u>	<u>152,929</u>
Represented by:			
Deferred capital grants	21	100,527	99,567
Specific endowments	22	<u>5,631</u>	<u>5,010</u>
		<u>106,158</u>	<u>104,577</u>
Reserves			
I & E reserve excluding pension reserve		59,933	54,570
Pension reserve	27	(2,785)	(6,987)
I & E reserve including pension reserve	23	57,148	47,583
Revaluation reserve	23	-	769
Total reserves		<u>57,148</u>	<u>48,352</u>
Total funds		<u>163,306</u>	<u>152,929</u>

The comparative balance sheet has been restated to reflect the grossing up of accrued income and deferred capital grants of £666,000.

The financial statements were approved by the Council on 3 December 2007 and have been signed on its behalf by:

Bill Macmillan	Vice-Chancellor
Jonathan Sisson	Treasurer
Stephen Donaldson	Director of Finance

Consolidated cash flow statement for the year ended 31 July 2007

	Note	2007 £000	2006 £000
Net cash inflow from operating activities	24	26,422	11,571
Returns on investments and servicing of finance			
Interest and dividends received		1,658	1,406
Bank interest paid		(4,763)	(4,105)
Interest element of finance leases		(84)	(82)
Net cash outflow from returns on investments and servicing of finance		(3,189)	(2,781)
Taxation refunded/(paid)		7	(53)
Capital expenditure and financial investment			
Payments to acquire fixed tangible assets		(27,157)	(39,409)
Proceeds on disposal of fixed assets		-	205
Proceeds on disposal of other investments		1,045	-
Payments to acquire endowment assets		(1,098)	(223)
Capital grants received		7,824	18,811
Endowments received		1,334	1,395
Net cash outflow from capital expenditure and financial investment		(18,052)	(19,221)
Cash inflow/(outflow) before use of liquid resources and financing		5,188	(10,484)
Management of liquid resources			
Increase in short term deposits		(6,204)	(3,325)
Decrease/(increase) in short term deposits held as endowment funds		600	(235)
		(5,604)	(3,560)
Financing			
Capital element of finance lease payments		(426)	(430)
Loans advanced		-	11,000
Loans repaid		(1,196)	(1,074)
		(1,622)	9,496
Decrease in cash	25	(2,038)	(4,548)

Reconciliation of net cash flow to movement in net debt

Outflow in cash in the period	(2,038)	(4,548)
Cash outflow/(inflow) from decrease/(increase) in debt	1,622	(9,496)
Cash outflow from increase in liquid resources	5,604	3,560
Non cash changes - finance lease additions	-	(476)
Movement in net funds	5,188	(10,960)
Net debt at beginning of year	(52,738)	(41,778)
Net debt at end of year	25	(52,738)

Notes to the financial statements

		Consolidated	
		2007	2006
		£000	£000
1	Funding council grants		
	Basic recurrent grant - Higher Education Funding Council for England ("HEFCE")	44,595	41,371
	Basic recurrent grant - Training Development Agency for Schools ("TDA")	2,079	2,010
	Special grants (HEFCE)	2,868	1,308
	Special grants (TDA)	-	27
	Deferred capital grants released in the year (note 21)	2,818	2,888
		<u>52,360</u>	<u>47,604</u>
HEFCE capital grants received have been transferred to the deferred capital grant fund (note 21) and released to income as explained in the statement of accounting policies.			
2	Tuition fees and education contracts		
	Full-time students	15,148	11,018
	Full-time students charged overseas fees	10,955	9,511
	Part-time fees	1,313	1,513
	Short course fees	2,113	1,906
	Other teaching contracts	10,514	10,268
	Research training support grants	820	461
		<u>40,863</u>	<u>34,677</u>
3	Research grants and contracts		
	Grants from research councils	14,964	14,334
	Grants from UK charities	3,343	3,931
	Other grants	8,031	9,145
		<u>26,338</u>	<u>27,410</u>
Included above are deferred capital grants released in the year of £1,628,000 (2006 £2,308,000).			
4	Other income		
	Residences, catering and conferences	13,199	11,908
	Other services rendered	2,438	2,501
	Deferred capital grants released in the year - residences, catering and conferences	23	25
	Deferred capital grants released in the year - other	2,199	2,081
	Donations received	263	406
	Other finance income (see Note 27)	194	-
	Other income	14,646	10,931
		<u>32,962</u>	<u>27,852</u>
5	Endowment and investment income		
	Income from specific endowment assets (see Note 22)	267	202
	Other investment income and interest receivable	1,391	1,204
		<u>1,658</u>	<u>1,406</u>
6	Staff costs		
	Wages and salaries	68,297	62,694
	Social security costs	5,593	5,231
	Pension costs (Note 27)	9,683	9,711
		<u>83,573</u>	<u>77,636</u>
Staff costs are analysed by activity in Note 9 below.			
Emoluments of the Vice-Chancellors			
	August 2005 - July 2006	-	194
	August 2006	16	-
	September 2006 - July 2007	180	-
		<u>196</u>	<u>194</u>

Notes to the financial statements (continued)

6 Staff costs (continued)

The emoluments of the Vice-Chancellors exclude the University's related pension contributions. Pension contributions paid to the USS scheme during 2007 were £25,900 (2006 £25,900). The above emoluments include benefits in kind of £10,500 (2006 £6,700).

Compensation for loss of office paid to staff earning more than £70,000 during the year was £30,000 (2006 £40,000).

The remuneration of other staff earning more than £70,000 in the year, excluding employer's pension contributions, fell in the following bands:

	Number of staff	
	2007	2006
£70,000 - £79,999	18	10
£80,000 - £89,999	5	8
£90,000 - £99,999	4	5
£100,000 - £109,999	6	2
£110,000 - £119,999	-	1
£120,000 - £129,999	1	-
£130,000 - £139,999	1	1
£140,000 - £149,999	3	1
£150,000 - £159,999	-	1
£160,000 - £169,999	1	1
£170,000 - £179,999	1	1
£180,000 - £189,999	-	1
£190,000 - £199,999	1	-
	<u>41</u>	<u>32</u>

Average number of staff employed by category:

Academic	641	517
Research and analogous	351	358
Secretarial and clerical	511	497
Technical	133	145
Other related	-	209
Admin, senior library and computing	372	304
Others	473	462
	<u>2,481</u>	<u>2,492</u>

7 Other operating expenses

	Consolidated	
	2007	2006
	£000	£000
Residences, catering and conferences	3,314	2,792
Library books and periodicals	1,953	1,778
Heat, light, water and power	1,967	2,467
Long-term maintenance	1,471	373
Grant to Union of UEA Students	379	370
Auditors' remuneration	75	57
Auditors' remuneration in respect of non-audit services : taxation and corporate advisory	28	27
Other expenses	35,039	32,311
	<u>44,226</u>	<u>40,175</u>

Other operating expenses are analysed by activity at Note 9 below.

8 Interest payable

	Consolidated	
	2007	2006
	£000	£000
Bank interest	4,763	4,105
Finance lease interest	84	82
Interest payable excluding pension scheme	4,847	4,187
Net interest charge on pension liability (Note 27)	-	153
	<u>4,847</u>	<u>4,340</u>

Notes to the financial statements (continued)

9 Analysis of consolidated expenditure by activity (2007)

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	45,038	860	13,596	-	59,494
Academic services	4,812	1,724	4,499	-	11,035
Research grants and contracts	13,153	1,631	5,969	-	20,753
Residences, catering and conferences	3,966	3,461	3,314	3,289	14,030
Other services rendered	847	6	1,439	-	2,292
Premises	5,082	7,656	6,026	1,558	20,322
Administration and central services	10,329	173	7,441	-	17,943
Other expenses	346	-	1,942	-	2,288
Total	83,573	15,511	44,226	4,847	148,157

Analysis of consolidated expenditure by activity (2006)

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	41,632	1,044	11,664	-	54,340
Academic services	4,509	1,330	3,447	-	9,286
Research grants and contracts	12,716	2,308	7,251	-	22,275
Residences, catering and conferences	3,739	2,840	2,792	3,052	12,423
Other services rendered	580	3	1,653	-	2,236
Premises	4,824	7,002	5,031	1,135	17,992
Administration and central services	9,385	259	7,245	-	16,889
Other expenses	251	-	1,092	153	1,496
Total	77,636	14,786	40,175	4,340	136,937

Consolidated	
2007	2006
£000	£000

The depreciation charge has been funded by:

Deferred capital grants released (Note 21)	6,668	7,302
General income	8,843	7,484
	15,511	14,786

10 Taxation

	Consolidated	
(a) Analysis of charge in year	2007	2006
	£000	£000
Corporation tax at 19% (2005: 19%) on profit of subsidiaries		
Current - current period	101	-
- prior period	-	(7)
	101	(7)

The surpluses of the University are not subject to Corporation Tax. The current tax liability represents corporation tax on the surpluses remaining in subsidiaries after gift aid relief.

Notes to the financial statements (continued)

10 Taxation (continued)

(b) Factors affecting taxation charges in year

	Consolidated	
	2007	2006
	£000	£000
Surplus before taxation	<u>2,879</u>	<u>786</u>
UK corporation tax at 19% (2006: 19%)	547	149
Effects of :		
Adjustment in respect of prior periods	-	(7)
Surpluses of University not subject to corporation tax	<u>(446)</u>	<u>(149)</u>
	<u>101</u>	<u>(7)</u>

11 Tangible fixed assets

	Consolidated				
	Freehold land and buildings £000	Assets in the course of construction £000	Furniture and equipment £000	Art collections £000	Total £000
Cost					
At the beginning of the year	225,298	17,123	43,340	9,859	295,620
Additions at cost	10,071	12,848	3,848	-	26,767
Transfers	13,405	(14,432)	1,027	-	-
Disposals	-	-	(2,852)	-	(2,852)
At the end of the year	<u>248,774</u>	<u>15,539</u>	<u>45,363</u>	<u>9,859</u>	<u>319,535</u>
Depreciation					
At the beginning of the year	49,569	-	35,647	-	85,216
Charge for the year	11,169	-	4,342	-	15,511
Eliminated on disposals	-	-	(2,852)	-	(2,852)
At the end of the year	<u>60,738</u>	<u>-</u>	<u>37,137</u>	<u>-</u>	<u>97,875</u>
Net book value					
At the end of the year	<u>188,036</u>	<u>15,539</u>	<u>8,226</u>	<u>9,859</u>	<u>221,660</u>
At the beginning of the year	<u>175,729</u>	<u>17,123</u>	<u>7,693</u>	<u>9,859</u>	<u>210,404</u>

Included in furniture and equipment are leased assets. The net book value of these assets at 31 July 2007 was £2,075,000 (2006 £2,374,000) and depreciation during the period on these assets was £299,000 (2006 £228,000).

Notes to the financial statements (continued)

11 Tangible fixed assets (continued)

	University				
	Freehold land and buildings £000	Assets in the course of construction £000	Furniture and equipment £000	Art collections £000	Total £000
Cost					
At the beginning of the year	222,088	17,233	39,961	9,859	289,141
Additions at cost	10,635	13,356	3,736	-	27,727
Transfers	13,626	(14,653)	1,027	-	-
Disposals	-	-	(2,766)	-	(2,766)
At the end of the year	<u>246,349</u>	<u>15,936</u>	<u>41,958</u>	<u>9,859</u>	<u>314,102</u>
Depreciation					
At the beginning of the year	47,999	-	34,329	-	82,328
Charge for the year	11,205	-	4,077	-	15,282
Eliminated on disposals	-	-	(2,766)	-	(2,766)
At the end of the year	<u>59,204</u>	<u>-</u>	<u>35,640</u>	<u>-</u>	<u>94,844</u>
Net book value					
At the end of the year	<u>187,145</u>	<u>15,936</u>	<u>6,318</u>	<u>9,859</u>	<u>219,258</u>
At the beginning of the year	<u>174,089</u>	<u>17,233</u>	<u>5,632</u>	<u>9,859</u>	<u>206,813</u>

Included in furniture and equipment are leased assets. The net book value of these assets at 31 July 2007 was £693,000 (2006 £770,000) and depreciation during the period on these assets was £77,000 (2006 £77,000).

Consolidated and University

The acquisition and construction of buildings with cost totalling £98,952,000 and net book value of £69,030,000 was funded, in whole or in part, by grants totalling £36,527,000 from HEFCE and its predecessor councils. Under the terms of the Financial Memorandum between HEFCE and the University, should any of these buildings be sold the University may have to pay to HEFCE a proportion of the proceeds equal to the proportion of the cost which was grant-funded. It is not the intention of the University to dispose of any such buildings.

The University cannot sell or otherwise dispose of its art collections.

Freehold land & buildings includes a building funded in part by grants of £14,559,000 from the Sports Lottery Fund. As a condition of grant the operation of the building is regulated by a Community Use Agreement for a period of years expiring in August 2018.

12 Joint ventures and associates

The University has interests in two joint venture arrangements, University Campus Suffolk Limited and INTO University of East Anglia Limited, and one associated undertaking.

University Campus Suffolk Limited, a company limited by guarantee, is a joint venture between the University and the University of Essex. A 50% share of the company's gross assets and liabilities is included in the University's consolidated balance sheet and 50% of its net result is reported in the University's consolidated income and expenditure account. University Campus Suffolk Limited's principal activity is the provision of education and research services. An amount of £109,000 was due to University Campus Suffolk Limited at the year end (2006: £1,488,000 was due from University Campus Suffolk Limited at the year end).

INTO University of East Anglia Limited, a company limited by share capital, is a joint venture between the University and INTO University Partnerships Limited. The University holds 250 ordinary A shares of £1 each and 250 ordinary B shares of £1 each, being 50% of the respective issued share capital. A 50% share of the company's gross assets and liabilities are included in the University's consolidated balance sheet and 50% of its net result is reported in the University's consolidated income and expenditure account. INTO University of East Anglia Limited's principal activity is the provision of pre-University education for international students. An amount of £235,000 (2006: £215,000) was due from INTO University of East Anglia Limited at the year end.

Carbon Connections UK Limited is a company limited by guarantee with one sole member, the University of East Anglia. As the company is not under the sole control of the University but that of an advisory board, over which the University does not have an ability to control, the company has not been accounted for as a subsidiary. Given the composition of the advisory board, the University has a 'significant influence' and the company is therefore treated as an associate for consolidation purposes.

The principal activity of Carbon Connections UK Limited is the development of carbon reduction initiatives. An amount of £521,000 was due from Carbon Connections UK Limited at the year end.

A 100% share of the company's net assets is included in the University's consolidated balance sheet and 100% of its net income is reported in the University's consolidated income and expenditure account.

Notes to the financial statements (continued)

13 Other fixed asset investments

	Consolidated £000	University £000
Cost		
At 1.8.06	435	336
Additions in period	-	-
At 31.7.07	<u>435</u>	<u>336</u>
Provision for diminution in value		
At 1.8.06	360	300
Provided in period	-	-
At 31.7.07	<u>360</u>	<u>300</u>
Net book value		
At 31.7.07	<u>75</u>	<u>36</u>
at 31.7.06	<u>75</u>	<u>36</u>
Investments at cost comprise :	Consolidated £000	University £000
CVCP Properties PLC	35	35
ICENI Seedcorn Fund LLP	300	300
Fo2Pix Ltd	60	-
Segmentis Ltd	28	-
WeatherQuest Ltd	10	-
Other	<u>2</u>	<u>1</u>
	<u>435</u>	<u>336</u>

The University's investment in CVCP Properties PLC, a company owned by the Committee of Vice Chancellors and Principals of the Universities of the United Kingdom and its member institutions, comprises 34,824 ordinary shares of £1 each fully paid.

The University's investment in ICENI Seedcorn Fund comprises a £150,000 capital contribution and £150,000 interest free loan. ICENI Seedcorn Fund was established under the second round of the Office of Science and Technology's University Challenge Fund programme. The other partners are: the University of Essex, the John Innes Centre, The Sainsbury Laboratory, the Institute of Food Research, Plant Bioscience Limited, and HSBC Bank plc. The loan is repayable subject to the Fund achieving a specified performance benchmark, namely increasing from its initial starting level of £4m to £12m. After repayment of partnership loans partners will share any excess returns in agreed proportions which, for the University, vary between 28.89% and 30.15%. The investment has been fully impaired.

UEA Enterprises Ltd, a subsidiary undertaking of the University, has the following investments:

300	£1 shares in Bioscience Partnership Ltd
249	£1 shares in Webb Microtome Ltd
16,596	£0.05 shares in Segmentis Ltd
11,999	£0.01 shares in Fo2Pix Ltd
60,000	£1 shares in Fo2Pix Ltd
10	£1 shares in WeatherQuest Ltd

14 Subsidiary undertakings

	University £000
Cost	
At 1.8.06 and 31.7.07	<u>7,487</u>
Provision for diminution in value	
At 1.8.06	-
Provided in period	-
At 31.7.07	<u>-</u>
Net book value	
At 31.7.07	<u>7,487</u>
at 31.7.06	<u>7,487</u>

Notes to the financial statements (continued)

14 Subsidiary undertakings (continued)

The following companies, all registered in England and Wales, were 100% owned subsidiary undertakings at 31 July 2007:

Name	Principal activity
UEA Student Residences Limited	Leasing and operating student residences
UEA Utilities Limited	Provision of gas, electricity and other utilities
UEA Estate Services Limited	Property maintenance and refurbishment
UEA Enterprises Limited	Developing intellectual property
Overseas Development Group (UEA) (an exempt charity)	Education and research services
East Anglian University Residences Limited	Property management
UEA Accommodation 1 Limited	Property management
UEA Accommodation 2 Limited	Property management
SYS Consulting Limited	Consultancy
Enventure Associates Limited	Not trading
Credibility Limited*	Not trading

Overseas Development Group (UEA) is a company limited by guarantee over which the University exercises a dominant influence.

* Indirectly held

The University holds all of the issued £1 ordinary shares in each of UEA Student Residences Limited, UEA Utilities Limited, UEA Estate Services Limited, UEA Enterprises Limited, UEA Accommodation 1 Limited, UEA Accommodation 2 Limited, SYS Consulting Limited and Enventure Associates Limited. It holds all 50 pence ordinary shares in East Anglian University Residences Limited. UEA Enterprises Limited holds all issued £1 ordinary shares in Credibility Limited. All subsidiary undertakings are included in the consolidation.

15 Endowment assets

	Consolidated & University	
	2007	2006
	£000	£000
Balance at beginning of year	5,010	4,382
Movement in funds held within UEA short term deposits	(600)	235
Additions	1,098	223
Appreciation of endowment assets	123	170
	<u>5,631</u>	<u>5,010</u>
Consisting of:		
UK equities	2,258	1,646
Fixed interest securities	1,477	1,136
Other	788	520
Cash in hand and short term deposits	1,108	1,708
	<u>5,631</u>	<u>5,010</u>

16 Debtors

	Consolidated	
	2007	2006
	£000	£000
		(restated)
Trade debtors	4,603	3,443
Accrued income and prepayments	9,996	14,557
	<u>14,599</u>	<u>18,000</u>

Included in the above are balances due in more than one year of £150,000 (2006 £150,000), which relates to a loan from the University to INTO University of East Anglia Limited.

	University	
	2007	2006
	£000	£000
		(restated)
Trade debtors	4,015	2,771
Accrued income and prepayments	9,755	12,445
Amounts due from subsidiary undertakings	4,164	4,469
	<u>17,934</u>	<u>19,685</u>

Included in the above are balances due in more than one year of £150,000 (2006 £150,000), which relates to a loan from the University to INTO University of East Anglia Limited.

The consolidated and University comparatives have been restated to reflect the grossing up of accrued income and deferred capital grants of £666,000.

Notes to the financial statements (continued)

17 Current asset investments

		Consolidated	
		2007	2006
		£000	£000
Short term deposits maturing within three months		20,772	23,068
Other short term deposits		8,500	-
Other investments		-	1,003
		<u>29,272</u>	<u>24,071</u>
		University	
		2007	2006
		£000	£000
Short term deposits maturing within three months		20,772	22,568
Other short term deposits		8,000	-
Other investments		-	1,003
		<u>28,772</u>	<u>23,571</u>

18 Creditors: amounts falling due within one year

		Consolidated	
		2007	2006
		£000	£000
Bank loans		1,256	1,197
Obligations under finance leases		451	426
Trade creditors		5,821	3,716
Accruals and deferred income		22,127	17,186
Capital creditors		2,229	2,619
Corporation tax		101	(7)
Other taxation and social security		1,885	1,713
		<u>33,870</u>	<u>26,850</u>

For details of security on bank loans and overdrafts see note 19

		University	
		2007	2006
		£000	£000
Bank loans		1,256	1,197
Obligations under finance leases		181	171
Trade creditors		5,136	3,320
Accruals and deferred income		21,523	16,206
Capital creditors		1,821	-
Other taxation and social security		1,885	1,713
Amounts due to subsidiary undertakings		2,964	2,321
		<u>34,766</u>	<u>24,928</u>

For details of security on bank loans and overdrafts see note 19

19 Creditors: amounts falling due after more than one year

		Consolidated	
		2007	2006
		£000	£000
Bank loans		79,016	80,271
Obligations under finance leases		798	1,249
		<u>79,814</u>	<u>81,520</u>
		University	
		2007	2006
		£000	£000
Bank loans		79,016	80,271
Obligations under finance leases		130	311
		<u>79,146</u>	<u>80,582</u>

Notes to the financial statements (continued)

19 Creditors: amounts falling due after more than one year (continued)

Bank loans and overdrafts are repayable as follows :

	Consolidated and University	
	2007	2006
	£000	£000
In one year or less	1,256	1,197
Between one and two years	1,346	1,256
Between two and five years	4,541	4,313
In five years or more	73,129	74,702
	<u>80,272</u>	<u>81,468</u>

Bank loans are secured over the group's freehold land and buildings and are under a facility expiring in 2034. The loans are repayable in quarterly instalments. Interest is payable at a fixed rate.

The net finance lease obligations are as follows :

	Consolidated	
	2007	2006
	£000	£000
In one year or less	451	426
Between one and two years	337	451
Between two and five years	252	527
In five years or more	209	271
	<u>1,249</u>	<u>1,675</u>

	University	
	2007	2006
	£000	£000
In one year or less	181	171
Between one and two years	92	181
Between two and five years	38	127
In five years or more	-	3
	<u>311</u>	<u>482</u>

20 Provisions for liabilities and charges

	Consolidated and University			
	1.8.06	Charged	Utilised	31.7.07
	£000	£000	£000	£000
Pension transfers	965	143	(322)	786
	<u>965</u>	<u>143</u>	<u>(322)</u>	<u>786</u>

The pension transfers provision relates to sums due in respect of members transferring to other schemes and is expected to be utilised over a 5 year period.

Notes to the financial statements (continued)

21 Deferred capital grants

	Consolidated		
	Funding Council £000	Other £000	Total £000
At the beginning of the year (restated)			
Buildings	39,977	47,915	87,892
Equipment and other fixed tangible assets	275	11,400	11,675
	40,252	59,315	99,567
Grants receivable in the year			
Buildings	5,714	692	6,406
Equipment and other fixed tangible assets	-	1,418	1,418
	5,714	2,110	7,824
Released to income and expenditure			
Buildings	(2,543)	(2,682)	(5,225)
Equipment and other fixed tangible assets	(275)	(1,168)	(1,443)
	(2,818)	(3,850)	(6,668)
At the end of the year			
Buildings	43,148	45,925	89,073
Equipment and other fixed tangible assets	-	11,650	11,650
	43,148	57,575	100,723

	University		
	Funding Council £000	Other £000	Total £000
At the beginning of the year (restated)			
Buildings	39,977	47,915	87,892
Equipment and other fixed tangible assets	275	11,400	11,675
	40,252	59,315	99,567
Grants receivable in the year			
Buildings	5,714	692	6,406
Equipment and other fixed tangible assets	-	1,222	1,222
	5,714	1,914	7,628
Released to income and expenditure			
Buildings	(2,543)	(2,682)	(5,225)
Equipment and other fixed tangible assets	(275)	(1,168)	(1,443)
	(2,818)	(3,850)	(6,668)
At the end of the year			
Buildings	43,148	45,925	89,073
Equipment and other fixed tangible assets	-	11,454	11,454
	43,148	57,379	100,527

The consolidated and University comparatives have been restated to reflect the grossing up of accrued income and deferred capital grants of £666,000.

22 Specific endowments

	Consolidated & University	
	2007 £000	2006 £000
At the beginning of the year	5,010	4,382
Additions	1,334	1,395
Appreciation of endowment asset investments	123	170
Income (note 5)	267	202
Expenditure for year	(1,103)	(1,139)
At the end of the year	5,631	5,010
Representing:		
Lord Zuckerman Bequest	1,155	1,118
Sainsbury Endowment Funds	577	545
D T K Wong Fellowship	474	443
Lord Walston Scholarship	396	375
Music Performance Scholarships	233	225
Other Funds	2,796	2,304
	5,631	5,010

Notes to the financial statements (continued)

23 Movement on income and expenditure reserve (including pension reserve) and revaluation reserve

Income and expenditure reserve (including pension reserve)

	Consolidated	
	2007	2006
	£000	£000
Balance at the beginning of the year	41,648	39,414
Surplus after tax and transfer from specific endowments	3,614	1,730
Transfer from revaluation reserve	811	-
Actuarial gain on pension scheme	5,121	504
Balance at the end of the year	<u>51,194</u>	<u>41,648</u>

	University	
	2007	2006
	£000	£000
Balance at the beginning of the year	47,583	42,503
Surplus after tax and transfer from specific endowments	3,633	4,576
Transfer from revaluation reserve	811	-
Actuarial gain on pension scheme	5,121	504
Balance at the end of the year	<u>57,148</u>	<u>47,583</u>

Revaluation reserve

	Consolidated and University	
	2007	2006
	£000	£000
Balance at the beginning of the year	769	706
Appreciation of assets	42	63
Transfer to income and expenditure reserve	(811)	-
Balance at end of year	<u>-</u>	<u>769</u>

24 Reconciliation of consolidated surplus to net cash inflow from operating activities

	2007	2006
	£000	£000
Surplus before taxation	2,879	786
Endowment income and interest receivable	(1,658)	(1,406)
Deferred capital grant release	(6,668)	(7,302)
Depreciation	15,511	14,786
Profit on disposal of fixed assets	-	(145)
Impairment of investments	-	60
Share of operating loss in joint ventures and associates	187	245
Interest payable	4,847	4,340
Shortfall of pension contributions paid over operating charge and other finance income	919	1,512
(Increase)/decrease in stocks	(35)	43
Decrease/(increase) in debtors	3,401	(3,478)
Increase in creditors	7,218	2,451
Decrease in provisions	(179)	(321)
Net cash inflow from operating activities	<u>26,422</u>	<u>11,571</u>

Notes to the financial statements (continued)

25 Analysis of changes in consolidated net debt

	31 Jul 06 £000	Cash flows £000	Other non-cash £000	31 Jul 07 £000
Cash at bank and in hand	5,629	(2,038)		3,591
		(2,038)		
Debt due within 1 year	(1,623)	(84)	-	(1,707)
Debt due after 1 year	(81,520)	1,706	-	(79,814)
		1,622		
Short term deposits	23,068	(2,296)		20,772
Short term deposits held as endowment assets	1,708	(600)		1,108
Other short term deposits	-	8,500		8,500
		5,604		
	<u>(52,738)</u>	<u>5,188</u>	<u>-</u>	<u>(47,550)</u>

26 Capital commitments

At 31 July 2007 there were outstanding commitments for capital expenditure of £7,565,000 (2006 £18,034,000)

27 Pensions

The University participates in two defined benefit contracted out pension schemes, the national Universities Superannuation Scheme ("USS") and the University of East Anglia Staff Superannuation Scheme ("UEASSS").

Universities Superannuation Scheme

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account represents the contributions payable to the scheme in the year.

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 increase in salary and pensions and the assumed rates of mortality.

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 service 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 service and promotion) and pensions would increase by 2.9% per annum.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of 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 Pension 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 (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 74% of the 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%.

Notes to the financial statements (continued)

27 Pensions (continued)

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. 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 that valuation.

The total pension cost for the University was £6,408,000 (2006 £6,280,000).

University of East Anglia Staff Superannuation Scheme

A full actuarial valuation was carried out as at 31 July 2006 and updated to 31 July 2007 by a qualified independent actuary for the purposes of Financial Reporting Standard 17 ("FRS17").

The contributions made to the scheme by the University in the accounting period were £1,846,000. Annual contributions after 31 July 2007 are agreed to be 18.6% of pensionable salaries, as well as additional contributions of 672,000 per annum, payable in equal monthly instalments for a period of 8 years from 31 July 2007.

The major assumptions used by the actuary were:

		31 July 07	31 July 06	31 July 05
Rate of increase in salaries	:	4.55%	4.35%	4.00%
Rate of increase in pensions in payment	:	3.30%	3.10%	2.75%
Discount rate	:	5.70%	5.10%	5.00%
Inflation assumption	:	3.30%	3.10%	2.75%

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

	Long term rate of return expected at 31 July 07	Value at 31 July 07 £000	Long term rate of return expected at 31 July 06	Value at 31 July 06 £000	Long term rate of return expected at 31 July 05	Value at 31 July 05 £000
Equities	7.40%	46,814	7.00%	42,910	5.90%	38,430
Bonds	4.20%	20,251	3.80%	18,345	3.90%	15,711
		<u>67,065</u>		<u>61,255</u>		<u>54,141</u>

The expected rates of return were set by reference to yields available on government bonds at the measurement date and appropriate risk margins.

Notes to the financial statements (continued)

27 Pensions (continued)

The following amounts as at 31 July 2005, 2006 and 2007 were measured in accordance with the requirements of FRS17 and show the net balance sheet liability at the year end.

	31 July 07 £000	31 July 06 £000	31 July 05 £000
Total market value of assets	67,065	61,255	54,141
Present value of scheme liabilities	<u>(69,850)</u>	<u>(68,242)</u>	<u>(59,967)</u>
Deficit in the scheme	(2,785)	(6,987)	(5,826)
Related deferred tax	-	-	-
Net pension liability	<u><u>(2,785)</u></u>	<u><u>(6,987)</u></u>	<u><u>(5,826)</u></u>

Analysis of the amount (charged) to staff costs within operating surplus:-

	2007 £000	2006 £000
Current service cost	(2,939)	(3,166)
Past service cost	(20)	(10)
Settlements/curtailments	-	-
Total operating charge	<u><u>(2,959)</u></u>	<u><u>(3,176)</u></u>

Analysis of the amount credited to other finance income/(charged to interest payable):-

	2007 £000	2006 £000
Expected return on pension scheme assets	3,694	2,875
Interest on pension scheme liabilities	<u>(3,500)</u>	<u>(3,028)</u>
Net credit/(charge)	<u><u>194</u></u>	<u><u>(153)</u></u>

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

	2007 £000	2006 £000
Actual return less expected return on pension scheme assets	2,330	4,432
Experience gains and losses arising on the scheme liabilities	677	(150)
Change in assumptions underlying the present value of the scheme liabilities	2,114	(3,778)
Actuarial gains	<u><u>5,121</u></u>	<u><u>504</u></u>

Movement in deficit during the year:-

	2007 £000	2006 £000
Deficit in scheme at beginning of year	(6,987)	(5,826)
Movement in year:		
Current service cost	(2,939)	(3,166)
Contributions	1,846	1,664
Past service costs and settlements/curtailments	(20)	(10)
Other finance income/(charge)	194	(153)
Actuarial gain	5,121	504
Deficit in scheme at end of year	<u><u>(2,785)</u></u>	<u><u>(6,987)</u></u>

Notes to the financial statements (continued)

27 Pensions (continued)

History of experience gains and losses:-					
	2007	2006	2005	2004	2003
Difference between the expected and actual returns on scheme assets					
Amount (£000)	2,330	4,432	7,116	1,157	78
Percentage of scheme assets	3%	7%	13%	2%	0%
Experience gains and losses on scheme liabilities					
Amount (£000)	677	(150)	(183)	(900)	(917)
Percentage of scheme liabilities	1%	0%	0%	(2%)	(2%)
Total amount recognised in STRGL					
Amount (£000)	5,121	504	1,041	273	(6,717)
Percentage of scheme liabilities	7%	1%	2%	0%	(13%)

Other Pension Schemes

The University contributes to the Federated Superannuation System for Universities, a defined contribution pension scheme. Contributions in the year were £10,000 (2006: £6,000). The University also contributed to the National Health Service Pension Scheme, a defined benefit pension scheme. Contributions in the year were £163,000 (2006: £249,000).

28 Queen's Building

The University has contracted with the East of England Strategic Health Authority ("EESHA") (which has delegated authority from the NHS Executive via its regional office) to teach, to degree level, occupational therapy and physiotherapy students nominated and funded by EESHA. The teaching takes place on campus in the Queen's Building, which the then Anglia & Oxford Regional Health Authority constructed at its own expense on land leased to the Secretary of State for Health by the University for sixty years. The University pays no rent for its occupation of the building.

The University has undertaken, in the event of the teaching contract being terminated before the expiry of sixty years following the completion of the building in 1992, to purchase it or lease it back from the Secretary of State for Health. The purchase price or rental is to be calculated by reference to the initial construction cost of the building and the increase in building costs since the date of construction with an overriding depreciation to zero over the sixty years of the lease. The University believes it is unlikely that this contingent capital commitment will arise in the foreseeable future.

29 Operating lease commitments

At 31 July 2007, the group had annual commitments under non-cancellable operating leases expiring as follows:-

	2007 Other £000	2006 Other £000
Within 1 year	26	6
Within two to five years	47	-
	<u>73</u>	<u>6</u>

Notes to the financial statements (continued)

30 The Sainsbury Laboratory

The University is a member of and has the ability to appoint one director to The Sainsbury Laboratory, a company limited by guarantee. The ability to appoint a single director does not confer significant influence on the part of the University.

Staff working at The Sainsbury Laboratory are joint employees of the University of East Anglia and the company and their payroll costs are fully reimbursed by the company. The Sainsbury Laboratory shares certain facilities at the John Innes Centre for which appropriate reimbursement is made. The building belongs to the Trustees of the John Innes Foundation. Expenditure on The Sainsbury Laboratory staff and its reimbursement are excluded from the University's financial statements.

31 Sainsbury Institute for the Study of Japanese Art and Culture

The Sainsbury Institute for the Study of Japanese Arts and Culture ("SISJAC") is an independent Institute affiliated to the University.

Staff of the Institute are employees of the University and their salary costs are fully reimbursed from external sources. Certain other running costs of the Institute are paid in the first instance by the University and these also are fully reimbursed from external sources. Expenditure and its reimbursement are included in the University's financial statements.

32 Other 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 Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's normal procurement procedures.

The Vice Chancellor sits on the Board of a number of bodies where the University has an interest, albeit an insignificant interest. Transactions with these organisations are immaterial to the University and are conducted at arm's length.

The University is exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the University of East Anglia group.

33 Training and Development Agency for Schools Bursaries

	2007 £000	2006 £000
Funding brought forward	165	193
Training Bursary funds received during the year	2,345	2,197
Training Bursary payments during the year	(2,414)	(2,225)
Funding carried forward	<u>96</u>	<u>165</u>

As the University acts as a paying agent only, these transactions have not been reflected in these financial statements.

34 Training and Development Agency for Schools Student Associates Scheme

	2007 £000	2006 £000
Funding brought forward	20	-
Funds received during the year	226	268
Payments during the year	(168)	(248)
Funding carried forward	<u>78</u>	<u>20</u>

Notes to the financial statements (continued)

35 Training and Development Agency for Schools Black and Minority Ethnic Recruitment

	2007 £000	2006 £000
Funding brought forward	5	4
Funds received during the year	7	11
Payments during the year	<u>(7)</u>	<u>(10)</u>
Funding carried forward	<u>5</u>	<u>5</u>

36 Access funds

	2007 £000	2006 £000
Balance at beginning of year	80	165
Funding Council Access Funds	562	437
Interest earned	1	30
Disbursements to students	<u>(635)</u>	<u>(552)</u>
Balance at end of year	<u>8</u>	<u>80</u>

Funding Council Access Funds are available solely for students. As the University acts as a paying agent only, these transactions have not been reflected in these financial statements.

37 Higher Education Funding Council for England Partner Colleges

	2007 £000	2006 £000
Funding brought forward	-	-
Funds received during the year	7,363	-
Payments during the year	<u>(7,363)</u>	<u>-</u>
Funding carried forward	<u>-</u>	<u>-</u>

As the University acts as a paying agent only, these transactions have not been reflected in these financial statements.