University of East Anglia

Financial Statements

2005 - 2006

University of East Anglia

Norwich NR4 7TJ

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http://www.uea.ac.uk

Vice-Chancellor

Professor Bill Macmillan, BSc,PhD,MA

Treasurer

Stuart Holmes, 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
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St Georges Street
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Contents

Treasurer's report

Outturn on Activities

The University generated a retained surplus for the year of £1.7m (2004-05: £3.9m). This surplus compares to the original planned deficit of £0.4m and the improvement reflects a wide range of different factors, including both cost savings during the year and also deferral of expenditure into 2006-07, particularly in relation to the programme to replace IT systems.

Group income increased by £13.8m to £138.0m (2004-05: £124.2m). Funding Council Grants rose by £4.9m from £42.7m to £47.6m, reflecting additional revenue funding of £3.3m (up by 7.9% on 2004-05), together with an increase in the level of capital grant funding of £1.6m on major projects completed in the year. Research grants and contracts income increased by £1.5m to £27.4m, an uplift of 5.8% on the previous year, reflecting the increase in grants from Research Councils (up by 12% on 2004-05). Other grants remained unchanged, with reductions in charity funded projects offset by increases in industry or other grants

Tuition fee income, including teaching contracts, rose by just £0.6m to £34.7m, representing a combination of increases in teaching contracts and home/EU student fees, but small reductions in overseas student fees and short course fees. In common with many other Universities, UEA has suffered from an increasingly competitive market for overseas students. This is being addressed and a small increase is planned for 2006/07, with further increases flowing in future years. One of the actions taken during the year to protect and grow the level of overseas students was the establishment of a joint venture with a private sector partner to provide pre-University courses to overseas students. The first intake started in September 2006 and it is hoped that the natural progression for many of these students at the end of their initial period of study will be to take up degree courses at UEA. The joint venture is performing ahead of plan with student numbers and revenues substantially in excess of forecast. The improved marketing arrangements associated with this venture should also provide a boost to direct recruitment of overseas students to UEA.

Other income increased significantly in the year to £27.9m from £20.5m last year. This includes an increase in residences, catering and conferences of £1.3m (an uplift of 12.2% on 2004-05) largely due to the further expansion of new residential accommodation. Growth also included income related to the new joint ventures, funding for the newly refurbished Sainsbury Centre for Visual Arts, recovery of costs for hosting the BA Festival of Science, and rental income streams related to new developments such as the nursery and the nursing and midwifery building.

Total expenditure increased by £15.5m to £136.9m in 2005-06, including an increase in pay costs of £5.1m in the year. The University has now adopted the revised accounting standard for reporting pension scheme costs, which is based on an annual assessment of the value of assets and liabilities within the scheme. Excluding the impact of this change in accounting treatment, and also the exceptional pension credit included in last year’s accounts, the underlying increase in other pay costs is £3.5m; equivalent to an increase of 4.9% on last year. Other operating expenses increased by £4.4m during the year, including £1.0m due to the dramatic increase in energy prices and also significant planned increases in costs of IT systems, student residences, and the re-opening of the Sainsbury Centre. Depreciation and interest charges also increased significantly in the year by £4.4m (43%) and £1.6m (58%) respectively, reflecting the impact of new residential and academic buildings and the related loans.

Reserves

General reserves increased by £2.2m to £41.6m. This increase reflects the retained surplus from activities of £1.7m together with a net gain of £0.5m on the pension scheme valuation, arising from actuarial adjustments and changes in the market value of investments.

A revaluation reserve of £0.8m is also held in respect of the increase in value of certain investments. This will be released to the general reserve as and when such investments are realised.

Treasurer's report (continued)

Capital Investment

The value of tangible fixed assets increased during the year by £22.4m to £210.4m, including expenditure to date on projects still in progress. This increase includes continuing expenditure on new and refurbishment of student residences, refurbishment of the Sainsbury Centre, medical and nursing education facilities, and equipment purchased through research grants. A number of major building projects were completed and commissioned during the year, with the value of assets under construction reducing from £64.3m at the beginning of the year to £17.1m at the year end.

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 that provide, with reasonable certainty, a financial return sufficient to cover all associated costs including the cost of the loan.

Operating Cash Flow and Net Debt

Net operating cash flow for the year remained positive at £11.6m, compared to £12.8m last year. Total debt service costs, relating to both bank loans and finance lease commitments amounted to £5.7m for the year (£3.7m: 2004-05). Operating cash flow therefore comfortably exceeds the debt service costs as required under the terms of the University's banking covenant.

Overall net debt, being loans and finance leases less investments held as short-term deposits and cash, has increased during the year by £10.9m, from £41.8m to £52.7m. This increase is primarily the result of further draw down on the loan facility in order to finance the on-going construction and refurbishment of residential accommodation. The balance owed at the end of the year on the bank loan facility amounted to £81.5m and a further £16m is still available to draw down in future years if required. We also retain liquid assets (including other current asset investments) of £29.7m which serves as a buffer against unforeseen events and a source of capital funding.

Outlook

The University continues to be managed on a prudent basis and, as a result of the hard work of high quality and dedicated staff, has achieved significant and sustainable growth over a period of years. The creation of a four faculty structure is also now bedded down and provides a much more flexible and robust structure for responding to the challenges that lie ahead. In the short-term our financial plans anticipate a deficit in 2006/07, mainly due to increases in pay costs outstripping the expected growth in income. The main reasons for this include the impact of national pay reforms across the higher education sector, comprising the introduction of a new pay structure and a comprehensive review of job roles, together with the first year of a three year above inflation pay settlement. Future funding of these increased costs relies on the introduction of variable tuition fees, however, this funding stream arises only gradually over a 3 to 4 year timeframe as each new intake of students begin their studies. Whilst this will lead to a short-term dip in funding, and therefore needs to be monitored very closely, we are confident that this can be managed without any adverse consequences on our existing development plans.

Stuart Holmes 4 December 2006

Corporate Governance Statement

The University is committed to exhibiting best practice in all aspects of corporate governance and specifically complies with guidance issued by the Committee of University Chairmen in November 2004. It also applies the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003. This summary describes the approach taken by the University with regard to governance and its purpose is to help the reader of the financial statements to understand how the principles have been applied.

The University 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 University Council meets four times a year and has several committees, including the Planning and Resources Committee, 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.

In respect of its strategic and development responsibilities, the Council receives recommendations and advice from the Planning and Resources Committee, a joint committee of the Council and of the Senate, which is the body responsible for the University's academic affairs. This Committee's membership includes two lay members appointed by the Council from amongst its members.

The Planning and Resources Committee, inter alia, recommends to the 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 the Planning and Resources Committee. At each meeting a key risk contained within the risk register is reviewed with the attendance of the officer responsible for managing the risk. 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 management 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 the Higher Education Funding Council for England ("HEFCE"), receives regular reports from the Internal Auditor 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.

In accordance with the Royal Charter, the Council of the University of East Anglia is responsible for the administration and management of the affairs of the University and group and is required to present audited financial statements for each financial year.

Corporate Governance Statement (Continued)

Statement of Council's Responsibilities

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

- suitable accounting policies are selected and applied consistently, except following the adoption of new accounting standards as indicated in the statement of accounting policies;
- 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.

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.

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

Statement of disclosure of information to auditors

So far as the Council of the University of East Anglia is aware, there is no relevant audit information of which the University's auditors are unaware. Relevant information is defined as "information needed by the University's auditors in connection with preparing their report".

Signed on behalf of Council

4 December 2006

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 2006 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 Council's Responsibilities.

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 2006 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, grants from 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

8 December 2006

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 Changes in accounting policies

The University has adopted the full provisions of FRS 17, Retirement benefits, in the financial statements and has revised its accounting policy with respect to current asset investments. This represents a change in accounting policies and the comparative figures have been restated accordingly.

The effects of the change in accounting policy to adopt the full provisions of FRS 17 was to increase staff costs and interest payable by £1,512,000 (2005: £1,061,000) and £153,000 (2005: £338,000) respectively, to decrease surplus for the year by £1,665,000 (2005: £1,399,000) and to increase the total recognised gains and losses by £504,000 (2005: £1,041,000). Net assets decreased by £1,161,000 (2005: £358,000).

The effect of the change to revalue current asset investments (other than short-term deposits) to current market value is to increase net assets by £63,000 (2005: £107,000) and to increase the total recognised gains and losses by £63,000 (2005: £107,000).

3 Basis of consolidation

The consolidated financial statements incorporate the University and all of its subsidiary undertakings and joint ventures for the year ended 31 July 2006. Intra-group sales and profits 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 in the consolidated balance sheet. The share of each joint venture's net income is reported in the consolidated income and expenditure account.

4 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.

5 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)

5 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. 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.

6 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.

7 Library books and periodicals

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

8 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.

9 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)

10 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.

11 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.

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 1988.

13 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.

14 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.

15 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.

16 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.

17 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.

18 Deferred Taxation

An undiscounted provision is made for deferred taxation, using the full provision accounting method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future. In accordance with FRS 19, deferred tax assets are recognised only to the extent that they are regarded as recoverable.

Consolidated income and expenditure account
for the year ended 31 July 2006

	Note	2006 £'000	2006 £'000	2005 £000 (restated)
Income				
Funding council grants	*1*	47,604		42,706
Tuition fees and education contracts	*2*	34,677		34,115
Research grants and contracts	*3*	27,410		25,924
Other income	*4*	27,852		20,454
Endowment and investment income	*5*	1,406		1,122
Total income: group and share of joint ventures'		138,949		124,321
Less: share of joint ventures' income		(981)		(160)
Group income			137,968	124,161
Expenditure				
Staff costs	*6*		77,636	72,564
Other operating expenses	*7*		40,175	35,792
Depreciation	*11*		14,786	10,344
Interest payable	*8*		4,340	2,739
Total expenditure	*9*		136,937	121,439
Share of operating loss in joint ventures			(245)	-
Surplus before tax			786	2,722
Taxation	*10*		7	(11)
Surplus for the financial year			793	2,711
Transfer from accumulated income within specific endowments	*22*		937	1,239
Surplus for the year retained within general reserves	*23*		1,730	3,950

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

The results for the year ended 31 July 2005 have been restated to reflect the full adoption of FRS 17. Refer to Note 2 within the statement of accounting policies for further details.

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 2006

	Note	2006 £000	2005 £000 (restated)
Surplus for the year		793	2,711
Appreciation of current asset investments	*23*	63	107
Appreciation of endowment asset investments	*22*	170	296
New endowments	*22*	1,395	1,458
Actuarial gains	*27*	504	1,041
Total recognised gains relating to the year		2,925	5,613
Prior year adjustment		(378)	
Total recognised gains since last report		2,547	
Opening reserves and endowments as previously reported		44,880	39,016
Prior year adjustment		(378)	(127)
Opening reserves and endowments as restated		44,502	38,889
Total recognised gains relating to the year (as above)		2,925	5,613
Closing reserves and endowments		47,427	44,502

The statement of consolidated total recognised gains and losses has been restated following the adoption of FRS 17 and the change in accounting policy with respect to current asset investments. Refer to Note 2 of the statement of accounting policies for further details.

Consolidated balance sheet
as at 31 July 2006

	Note	2006 £000	2006 £000	2005 £000 (restated)
Fixed assets				
Tangible assets	*11*		210,404	187,969
Investments in joint ventures	*12*			
Share of gross assets		1,432		58
Share of gross liabilities		(1,677)	(245)	(58)
Other investments	*13*		75	124
			210,234	188,093
Endowment assets	*15*		5,010	4,382
Current assets				
Stocks: raw materials and consumables			372	415
Debtors	*16*		17,334	13,856
Investments	*17*		24,071	20,683
Cash at bank and in hand			5,629	10,177
			47,406	45,131
Creditors: Amounts falling due within one year	*18*		(26,850)	(26,755)
Net current assets			20,556	18,376
Total assets less current liabilities			235,800	210,851
Creditors: Amounts falling due after more than one year	*19*		(81,520)	(71,845)
Provisions for liabilities and charges	*20*		(965)	(1,286)
Net assets excluding pension liability			153,315	137,720
Pension liability	*27*		(6,987)	(5,826)
Net assets			146,328	131,894
Represented by:				
Deferred capital grants	*21*		98,901	87,392
Specific endowments	*22*		5,010	4,382
			103,911	91,774
Reserves				
I & E reserve excluding pension reserve			48,635	45,240
Pension reserve	*27*		(6,987)	(5,826)
I & E reserve including pension reserve	*23*		41,648	39,414
Revaluation reserve	*23*		769	706
Total reserves			42,417	40,120
Total funds			146,328	131,894

The comparative balance sheet has been restated following the adoption of FRS 17 and the change in accounting policy with respect to current asset investments. Furthermore, deferred capital grants has been restated to reallocate £3,833,000 from accruals and deferred income to reflect the current year treatment.

The financial statements were approved by the Council on 4 December 2006 and have been signed on its behalf by:

Bill Macmillan	Vice-Chancellor
Stuart Holmes	Treasurer
Stephen Donaldson	Director of Finance

University balance sheet
as at 31 July 2006

	Note	2006 £000	2005 £000 (restated)
Fixed assets			
Tangible assets	*11*	206,813	183,754
Investments in subsidiaries	*14*	7,487	6,042
Other investments	*13*	36	35
		214,336	189,831
Endowment assets	*15*	5,010	4,382
Current assets			
Stocks: raw materials and consumables		372	415
Debtors	*16*	19,019	14,712
Investments	*17*	23,571	19,513
Cash at bank and in hand		3,417	9,465
		46,379	44,105
Creditors: Amounts falling due within one year	*18*	(24,928)	(25,152)
Net current assets		21,451	18,953
Total assets less current liabilities		240,797	213,166
Creditors: Amounts falling due after more than one year	*19*	(80,582)	(71,071)
Provisions for liabilities and charges	*20*	(965)	(1,286)
Net assets excluding pension liability		159,250	140,809
Pension liability	*27*	(6,987)	(5,826)
Net assets		152,263	134,983
Represented by:			
Deferred capital grants	*21*	98,901	87,392
Specific endowments	*22*	5,010	4,382
		103,911	91,774
Reserves			
I & E reserve excluding pension reserve		54,570	48,329
Pension reserve	*27*	(6,987)	(5,826)
I & E reserve including pension reserve	*23*	47,583	42,503
Revaluation reserve	*23*	769	706
Total reserves		48,352	43,209
Total funds		152,263	134,983

The comparative balance sheet has been restated following the adoption of FRS 17 and the change in accounting policy with respect to current asset investments. Furthermore, deferred capital grants has been restated to reallocate £3,833,000 from accruals and deferred income to reflect the current year treatment.

The financial statements were approved by the Council on 4 December 2006 and have been signed on its behalf by:

Bill Macmillan	Vice-Chancellor
Stuart Holmes	Treasurer
Stephen Donaldson	Director of Finance

Consolidated cash flow statement
for the year ended 31 July 2006

	Note	2006 £000	2006 £000	2005 £000 (restated)	2005 £000 (restated)
Net cash inflow from operating activities	*24*		11,571		12,790
Returns on investments and servicing of finance					
Interest and dividends received		1,406		1,122	
Bank interest paid		(4,105)		(2,299)	
interest element of finance leases		(82)		(102)	
Net cash outflow from returns on investments and servicing of finance			(2,781)		(1,279)
Taxation paid			(53)		(20)
Capital expenditure and financial investment					
Payments to acquire fixed tangible assets		(39,409)		(58,474)	
Proceeds on disposal of fixed assets		205		-	
Payments to acquire endowment assets		(223)		(50)	
Capital grants received		18,811		22,754	
Endowments received		1,395		1,458	
Net cash outflow from capital expenditure and financial investment			(19,221)		(34,312)
Cash outflow before use of liquid resources and financing			(10,484)		(22,821)
Management of liquid resources					
(Increase) in short term deposits		(3,325)		(4,922)	
(Increase) in short term deposits held as endowment funds		(235)		(169)	
			(3,560)		(5,091)
Financing					
Capital element of finance lease payments		(430)		(354)	
Loans advanced		11,000		32,000	
Loans repaid		(1,074)		(949)	
			9,496		30,697
(Decrease)/increase in cash	*25*		(4,548)		2,785

The comparative cash flow has been restated to reflect the reallocation of £3,833,000 of deferred capital grants from accruals.

Reconciliation of net cash flow to movement in net debt

	Note	2006 £000	2006 £000	2005 £000	2005 £000
(Decrease)/increase in cash in the period		(4,548)		2,785	
Cash inflow from increase in debt		(9,496)		(30,697)	
Cash outflow from increase in liquid resources		3,560		5,091	
Non cash changes - finance lease additions		(476)		-	
Movement in net funds			(10,960)		(22,821)
Net debt at beginning of year			(41,778)		(18,957)
Net debt at end of year	*25*		(52,738)		(41,778)

Notes to the financial statements

1 Funding council grants

	Consolidated 2006 £000	2005 £000
Basic recurrent grant - Higher Education Funding Council for England ("HEFCE")	41,371	37,352
Basic recurrent grant - Training Development Agency for Schools ("TDA")	2,010	2,011
Special grants (HEFCE)	1,308	2,066
Special grants (TDA)	27	11
Deferred capital grants released in the year (note 21)	2,888	1,266
	47,604	42,706

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

	2006 £000	2005 £000
Full-time students	11,018	10,338
Full-time students charged overseas fees	9,511	9,863
Part-time fees	1,513	1,587
Short course fees	1,906	2,322
Other teaching contracts	10,268	9,520
Research training support grants	461	485
	34,677	34,115

3 Research grants and contracts

	2006 £000	2005 £000
Grants from research councils	14,334	12,777
Grants from UK charities	3,931	4,172
Other grants	9,145	8,975
	27,410	25,924

Included above are deferred capital grants released in the year of £2,308,000 (2005 £2,518,000).

4 Other income

	2006 £000	2005 £000
Residences, catering and conferences	11,908	10,633
Other services rendered	2,501	1,417
Deferred capital grants released in the year - residences, catering and conferences	25	31
Deferred capital grants released in the year - other	2,081	1,178
Donations received	406	113
Other income	10,931	7,082
	27,852	20,454

5 Endowment and investment income

	2006 £000	2005 £000
Income from specific endowment assets	202	199
Other investment income and interest receivable	1,204	923
	1,406	1,122

6 Staff costs

	2006 £000	2005 £000 (restated)
Wages and salaries	62,694	60,223
Social security costs	5,231	4,825
Pension costs (Note 27)	9,711	7,516
	77,636	72,564

Staff costs are analysed by activity in Note 9 below.

	2006	2005
Emoluments of the Vice-Chancellor	194	168

Notes to the financial statements (continued)

6 Staff costs (continued)

The emoluments of the Vice-Chancellor exclude the University's related pension contributions. Pension contributions paid to the USS scheme during 2006 were £25,900 (2005 £22,400). The above emoluments include benefits in kind of £6,700 (2005 £6,500).

Compensation for loss of office paid to staff earning more than £70,000 during the year was £40,000 (2005 NIL).

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	
	2006	2005
£70,000 - £79,999	10	13
£80,000 - £89,999	8	5
£90,000 - £99,999	5	3
£100,000 - £109,999	2	2
£110,000 - £119,999	1	-
£120,000 - £129,999	-	1
£130,000 - £139,999	1	1
£140,000 - £149,999	1	1
£150,000 - £159,999	1	1
£160,000 - £169,999	1	-
£170,000 - £179,999	1	-
£180,000 - £189,999	1	1
	32	28

Average number of staff employed by category:	2006	2005
Academic	517	519
Research and analogous	358	361
Secretarial and clerical	497	485
Technical	145	148
Other related	209	214
Admin, senior library and computing	304	277
Others	462	448
	2,492	2,452

7 Other operating expenses

	Consolidated 2006 £000	Consolidated 2005 £000
Residences, catering and conferences	2,792	2,496
Library books and periodicals	1,778	1,640
Heat, light, water and power	2,467	1,493
Long-term maintenance	373	965
Grant to Union of UEA Students	370	420
Auditors' remuneration	57	52
Auditors' remuneration in respect of non-audit services : taxation and corporate advisory	27	15
Other expenses	32,311	28,711
	40,175	35,792

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

8 Interest payable

	Consolidated 2006 £000	Consolidated 2005 £000
Bank interest	4,105	2,299
Finance lease interest	82	102
Interest payable excluding pension scheme	4,187	2,401
Net interest charge on pension liability (Note 27)	153	338
	4,340	2,739

Notes to the financial statements (continued)

9 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

Analysis of consolidated expenditure by activity (2005)

	Staff costs £000 (restated)	Depreciation £000	Other operating expenses £000	Interest payable £000 (restated)	Total £000 (restated)
Academic departments	39,036	1,113	11,788	-	51,937
Academic services	4,190	798	2,886	-	7,874
Research grants and contracts	12,350	2,515	6,775	-	21,640
Residences, catering and conferences	3,301	1,742	2,496	1,972	9,511
Other services rendered	504	2	775	-	1,281
Premises	3,975	3,868	4,065	429	12,337
Administration and central services	9,025	306	6,266	-	15,597
Other expenses	183	-	741	338	1,262
Total	72,564	10,344	35,792	2,739	121,439

	Consolidated 2006 £000	Consolidated 2005 £000
The depreciation charge has been funded by:		
Deferred capital grants released (Note 21)	7,302	4,993
General income	7,484	5,351
	14,786	10,344

10 Taxation

(a) Analysis of charge in year	Consolidated 2006 £000	Consolidated 2005 £000
Corporation tax at 19% (2005: 19%) on profit of subsidiaries		
Current - current period	-	53
- prior period	(7)	-
Deferred - current period	-	-
- prior period	-	(42)
	(7)	11

The surpluses of the University are not subject to Corporation Tax. The current tax credit 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 2006 £000	2005 £000 (restated)
Surplus before taxation	786	2,722
UK corporation tax at 19% (2005: 19%)	149	517
Effects of :		
Adjustment in respect of prior periods	(7)	-
Surpluses of University not subject to corporation tax	(149)	(479)
Depreciation in excess of capital allowances/(capital allowances in excess of depreciation).	-	15
	(7)	53

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	146,433	64,268	42,442	9,760	262,903
Additions at cost	17,958	14,709	4,515	99	37,281
Transfers	61,854	(61,854)	-	-	-
Disposals	(947)	-	(3,617)	-	(4,564)
At the end of the year	225,298	17,123	43,340	9,859	295,620
Depreciation					
At the beginning of the year	40,391	-	34,543	-	74,934
Charge for the year	10,065	-	4,721	-	14,786
Eliminated on disposals	(887)	-	(3,617)	-	(4,504)
At the end of the year	49,569	-	35,647	-	85,216
Net book value					
At the end of the year	175,729	17,123	7,693	9,859	210,404
At the beginning of the year	106,042	64,268	7,899	9,760	187,969

Included in furniture and equipment are leased assets. The net book value of these assets at 31 July 2006 was £2,374,000 (2005 £2,125,000) and depreciation during the period on these assets was £228,000 (2005 £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	140,942	65,797	39,426	9,760	255,925
Additions at cost	18,701	14,743	4,146	99	37,689
Transfers	63,307	(63,307)	-	-	-
Disposals	(862)	-	(3,611)	-	(4,473)
At the end of the year	222,088	17,233	39,961	9,859	289,141
Depreciation					
At the beginning of the year	38,947	-	33,224	-	72,171
Charge for the year	9,914	-	4,716	-	14,630
Eliminated on disposals	(862)	-	(3,611)	-	(4,473)
At the end of the year	47,999	-	34,329	-	82,328
Net book value					
At the end of the year	174,089	17,233	5,632	9,859	206,813
At the beginning of the year	101,995	65,797	6,202	9,760	183,754

Included in furniture and equipment are leased assets. The net book value of these assets at 31 July 2006 was £770,000 (2005 £847,000) and depreciation during the period on these assets was £77,000 (2005 £77,000).

Consolidated and University

The acquisition and construction of buildings with cost totalling £93,524,000 and net book value of £65,917,000 was funded, in whole or in part, by grants totalling £35,121,000 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 ot 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

The University has interests in two joint venture arrangements, University Campus Suffolk Limited (formerly UC (Suffolk) Limited) and INTO University of East Anglia Limited.

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 income 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 £1,488,000 (2005: £113,000) 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. 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 income 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 £215,000 (2005: £Nil) was due from INTO University of East Anglia Limited at the year end.

Notes to the financial statements (continued)

13 Other fixed asset investments

	Consolidated £000	University £000
Cost		
At 1.8.05	424	335
Additions in period	11	1
At 31.7.06	435	336
Provision for diminution in value		
At 1.8.05	300	300
Provided in period	60	-
At 31.7.06	360	300
Net book value		
At 31.7.06	75	36
at 31.7.05	124	35

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	2	1
	435	336

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 1.8.05 and 31.7.06	7,487
Provision for diminution in value	
At 1.8.05	1,445
Reversal of previous periods' charges	(1,445)
At 31.7.06	-
Net book value	
At 31.7.06	7,487
at 31.7.05	6,042

The impairment charges booked in previous periods have been reversed following a change in the circumstances which underpinned the original charge.

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 2006:

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	Research and Consultancy
Pyefleet Limited	Not trading

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

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 Pyefleet Limited. All subsidiary undertakings are included in the consolidation.

15 Endowment assets

	Consolidated & University	
	2006	2005
	£000	£000
Balance at beginning of year	4,382	3,867
Movement in funds held within UEA short term deposits	235	169
Additions	223	50
Appreciation of endowment assets	170	296
	5,010	4,382
Consisting of:		
UK equities	1,646	1,396
Fixed interest securities	1,136	1,120
Other	520	393
Cash in hand and short term deposits	1,708	1,473
	5,010	4,382

16 Debtors

	Consolidated	
	2006	2005
	£000	£000
Trade debtors	3,443	3,643
Accrued income and prepayments	13,891	10,213
	17,334	13,856

Included in the above are balances due in more than one year of £150,000 (2005 NIL), which relates to a loan from the University to INTO University of East Anglia Limited.

	University	
	2006	2005
	£000	£000
Trade debtors	2,771	3,315
Accrued income and prepayments	11,779	8,358
Amounts due from subsidiary undertakings	4,469	3,039
	19,019	14,712

Included in the above are balances due in more than one year of £150,000 (2005 NIL), which relates to a loan from the University to INTO University of East Anglia Limited.

Notes to the financial statements (continued)

17 Current asset investments

	Consolidated 2006 £000	Consolidated 2005 £000 (restated)
Short term deposits maturing within three months	23,068	19,243
Other short term deposits	-	500
Other investments	1,003	940
	24,071	20,683

Other investments are carried at valuation

	University 2006 £000	University 2005 £000 (restated)
Short term deposits maturing within three months	22,568	18,573
Other investments	1,003	940
	23,571	19,513

Other investments are carried at valuation

18 Creditors: amounts falling due within one year

	Consolidated 2006 £000	Consolidated 2005 £000 (restated)
Bank loans	1,197	952
Obligations under finance leases	426	374
Trade creditors	3,716	4,704
Accruals and deferred income	17,186	13,845
Capital creditors	2,619	5,212
Corporation tax	(7)	53
Other taxation and social security	1,713	1,615
	26,850	26,755

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

	University 2006 £000	University 2005 £000 (restated)
Bank loans	1,197	952
Obligations under finance leases	171	161
Trade creditors	3,320	4,582
Accruals and deferred income	16,206	12,866
Capital creditors	-	1,937
Other taxation and social security	1,713	1,615
Amounts due to subsidiary undertakings	2,321	3,039
	24,928	25,152

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

19 Creditors: amounts falling due after more than one year

	Consolidated 2006 £000	Consolidated 2005 £000
Bank loans	80,271	70,590
Obligations under finance leases	1,249	1,255
	81,520	71,845

	University 2006 £000	University 2005 £000
Bank loans	80,271	70,590
Obligations under finance leases	311	481
	80,582	71,071

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

Bank loans and overdrafts are repayable as follows :

	Consolidated and University	
	2006	2005
	£000	£000
In one year or less	1,197	952
Between one and two years	1,256	1,035
Between two and five years	4,313	3,499
In five years or more	74,702	66,056
	81,468	71,542

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	
	2006	2005
	£000	£000
In one year or less	426	374
Between one and two years	451	396
Between two and five years	527	803
In five years or more	271	56
	1,675	1,629

	University	
	2006	2005
	£000	£000
In one year or less	171	161
Between one and two years	181	171
Between two and five years	127	296
In five years or more	3	14
	482	642

20 Provisions for liabilities and charges

	Consolidated and University			
	1.8.05 £000 (restated)	Charged/(released) £000	Utilised £000	31.7.06 £000
Pension transfers	1,286	-	(321)	965
	1,286	-	(321)	965

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 and University		
	Funding Council £000	Other £000	Total £000
At the beginning of the year (restated)			
Buildings	35,945	38,746	74,691
Equipment and other fixed tangible assets	275	12,426	12,701
	36,220	51,172	87,392
Grants receivable in the year			
Buildings	6,920	11,017	17,937
Equipment and other fixed tangible assets	-	874	874
	6,920	11,891	18,811
Released to income and expenditure			
Buildings	(2,888)	(2,514)	(5,402)
Equipment and other fixed tangible assets	-	(1,900)	(1,900)
	(2,888)	(4,414)	(7,302)
At the end of the year			
Buildings	39,977	47,249	87,226
Equipment and other fixed tangible assets	275	11,400	11,675
	40,252	58,649	98,901

22 Specific endowments

	Consolidated & University	
	2006 £000	2005 £000
At the beginning of the year	4,382	3,867
Additions	1,395	1,458
Appreciation of endowment asset investments	170	296
Income (note 5)	202	199
Expenditure for year	(1,139)	(1,438)
At the end of the year	5,010	4,382
Representing:		
Lord Zuckerman Bequest	1,118	1,078
Sainsbury Endowment Funds	545	518
D T K Wong Fellowship	443	417
Lord Walston Scholarship	375	343
Music Performance Scholarships	225	220
Other Funds	2,304	1,806
	5,010	4,382

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 2006 £000	Consolidated 2005 £000 (restated)
Balance at the beginning of the year as previously reported	40,498	35,149
Prior year adjustment (Note 2 of statement of accounting policies)	(1,084)	(726)
Balance at the beginning of the year as restated	39,414	34,423
Surplus after tax and transfer from specific endowments	1,730	3,950
Actuarial gain on pension scheme	504	1,041
Balance at the end of the year	41,648	39,414

	University 2006 £000	University 2005 £000 (restated)
Balance at the beginning of the year as previously reported	43,587	36,133
Prior year adjustment (Note 2 of statement of accounting policies)	(1,084)	(726)
Balance at the beginning of the year as restated	42,503	35,407
Surplus after tax and transfer from specific endowments	4,576	6,055
Actuarial gain on pension scheme	504	1,041
Balance at the end of the year	47,583	42,503

Revaluation reserve

	Consolidated and University 2006 £000	Consolidated and University 2005 £000
Balance at the beginning of the year as previously reported	-	-
Prior year adjustment (Note 2 of statement of accounting policies)	706	599
Balance at the beginning of the year as restated	706	599
Appreciation of assets	63	107
Balance at end of year	769	706

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

	2006 £000	2005 £000 (restated)
Surplus before taxation	786	2,722
Endowment income and interest receivable	(1,406)	(1,122)
Deferred capital grant release	(7,302)	(4,993)
Depreciation	14,786	10,344
Profit on disposal of fixed assets	(145)	-
Impairment of investments	60	240
Share of operating loss in Joint Ventures	245	-
Interest payable	4,340	2,739
Shortfall/(excess) of pension contributions paid over operating charge	1,512	(78)
Decrease/(increase) in stocks	43	(11)
Increase in debtors	(3,478)	(715)
Increase in creditors	2,451	3,814
(Decrease)/increase in provisions	(321)	(150)
Net cash inflow from operating activities	11,571	12,790

25 Analysis of changes in consolidated net debt

	31 Jul 05 £000	Cash flows £000	Other non-cash £000	31 Jul 06 £000
Cash at bank and in hand	10,177	(4,548)		5,629
		(4,548)		
Debt due within 1 year	(1,326)	-	(297)	(1,623)
Debt due after 1 year	(71,845)	(9,496)	(179)	(81,520)
		(9,496)		
Short term deposits	19,243	3,825		23,068
Short term deposits held as endowment assets	1,473	235		1,708
Other short term deposits	500	(500)		-
		3,560		
	(41,778)	(10,484)	(476)	(52,738)

Notes to the financial statements (continued)

26 Capital commitments

At 31 July 2006 there were outstanding commitments for capital expenditure of £18,034,000 (2005 £6,958,000)

27 Pensions

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

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 assumptions which have the most 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 service 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 service 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 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. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 110% funded; on a buy-out basis (ie assuming the scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

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 £6,280,000 (2005 £5,632,000).

27 Pensions (continued)

University of East Anglia Staff Superannuation Scheme

A full actuarial valuation was carried out as at 31 July 2003 and updated to 31 July 2006 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 £1,664,000.

Future annual contributions are agreed to continue at 14% of pensionable salaries subject to actuarial review.

The major assumptions used by the actuary were:

		31 July 06	31 July 05	31 July 04
Rate of increase in salaries	:	4.35%	4.00%	4.25%
Rate of increase in pensions in payment	:	3.10%	2.75%	3.00%
Discount rate	:	5.10%	5.00%	5.75%
Inflation assumption	:	3.10%	2.75%	3.00%

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

	Long term rate of return expected at 31 July 06	Value at 31 July 06 £000's	Long term rate of return expected at 31 July 05	Value at 31 July 05 £000's	Long term rate of return expected at 31 July 04	Value at 31 July 04 £000's
Equities	7.00%	42,910	5.90%	38,430	6.50%	33,881
Bonds	3.80%	18,345	3.90%	15,711	4.50%	14,652
		61,255		54,141		48,533

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

The following amounts as at 31 July 2004, 2005 and 2006 were measured in accordance with the requirements of FRS17 and show the net balance sheet liability at the year end.

	2006	2005	2004
Total market value of assets	61,255	54,141	48,533
Present value of scheme liabilities	(68,242)	(59,967)	(55,140)
Deficit in the scheme	(6,987)	(5,826)	(6,607)
Related deferred tax	-	-	-
Net pension liability	(6,987)	(5,826)	(6,607)

Notes to the financial statements (continued)

27 Pensions (continued)

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

	2006 £000	2005 £000
Current service cost	(3,166)	(2,579)
Past service cost	(10)	-
Settlements/curtailments	-	1,066
Total operating charge	(3,176)	(1,513)

Analysis of the amount (charged) to interest payable:-

	2006 £000	2005 £000
Expected return on pension scheme assets	2,875	2,738
Interest on pension scheme liabilities	(3,028)	(3,076)
Net charge	(153)	(338)

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

	2006 £000	2005 £000
Actual return less expected return on pension scheme assets	4,432	7,116
Experience gains and losses arising on the scheme liabilities	(150)	(183)
Change in assumptions underlying the present value of the scheme liabilities	(3,778)	(5,892)
Actuarial gains	504	1,041

Movement in deficit during the year:-

	2006 £000	2005 £000
Deficit in scheme at beginning of year	(5,826)	(6,607)
Movement in year:		
Current service cost	(3,166)	(2,579)
Contributions	1,664	1,591
Past service costs and settlements/curtailments	(10)	1,066
Other finance charge	(153)	(338)
Actuarial gain	504	1,041
Deficit in scheme at end of year	(6,987)	(5,826)

Notes to the financial statements (continued)

27 Pensions (continued)

History of experience gains and losses:-

	2006	2005	2004	2003	2002
Difference between the expected and actual returns on scheme assets					
Amount (£000)	4,432	7,116	1,157	78	(9,994)
Percentage of scheme assets	7%	13%	2%	0%	(23%)
Experience gains and losses on scheme liabilities					
Amount (£000)	(150)	(183)	(900)	(917)	517
Percentage of scheme liabilities	0%	0%	(2%)	(2%)	1%
Total amount recognised in STRGL					
Amount (£000)	504	1,041	273	(6,717)	(7,777)
Percentage of scheme liabilities	1%	2%	0%	(13%)	(19%)

Other Pension Schemes

The University contributes to the Federated Superannuation System for Universities, a defined contribution pension scheme. Contributions in the year were £6,000 (2005: £5,000). The University also contributed to the National Health Service Pension Scheme, a defined benefit pension scheme. Contributions in the year were £249,000 (2005: £154,000).

28 Queen's Building

The University has contracted with the East Norfolk and Suffolk Education and Training Consortium ("ENSETC") (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 ENSETC. 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 Access funds

	2006 £000	2005 £000
Balance at beginning of year	165	52
Funding Council Access Funds	437	563
Interest earned	30	12
Disbursements to students	(552)	(462)
Balance at end of year	80	165

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.

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. These bodies include ICENI and the John Innes Centre.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

	2006 £000	2005 £000
Funding brought forward	193	107
Training Bursary funds received during the year	2,197	2,167
Training Bursary payments during the year	(2,225)	(2,081)
Funding carried forward	165	193

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

	2006 £000	2005 £000
Funding brought forward	-	-
Funds received during the year	268	194
Payments during the year	(248)	(194)
Funding carried forward	20	-

Notes to the financial statements (continued)

35 Training and Development Agency for Schools Minority Ethnic Recruitment

	2006 £000	2005 £000
Funding brought forward	4	-
Funds received during the year	11	10
Payments during the year	(10)	(6)
Funding carried forward	5	4

36 Operating lease commitments

At 31 July 2006, the group had annual commitments under non-cancellable operating leases expiring as follows:-

	2006 Other £000	2005 Other £000
Within 1 year	6	81
Within two to five years	-	7
	6	88