

UNIVERSITY OF EAST ANGLIA

Financial Statements

1996-97



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Scope of the financial statements

The financial statements for the year ended 31 July 1997 have been prepared on a consolidated basis and comply with the requirements of the Statement of Recommended Practice (SORP), "Accounting in Higher Education Institutions" issued in June 1994.

The companies consolidated are UEA Overseas Development Group Limited, Overseas Development Group (UEA), UEA Student Residences Limited, UEA Utilities Limited, UEA Academic Books Limited, UEA Enterprises Limited and East Anglian University Residences Limited. These companies undertake activities which, for commercial reasons, are more appropriately channelled through limited companies than being undertaken directly by the University. Profits from these companies are passed to the University by covenant, Gift Aid or dividends as appropriate.

Results for the year

For the first time in many years, the University ended the year with a significant deficit. The University's consolidated results for the year to 31 July 1997 are summarized as follows:

	1996/97	1995/96
	£000	£000
Income	67,644	67,750
Expenditure	(69,079)	(66,869)
Taxation	(9)	(3)
(Deficit)/Surplus for the year on an historical cost basis	<u>(1,444)</u>	<u>878</u>

The University's income stayed almost constant compared with the previous year, whilst expenditure increased by 3.3%. A deficit of £1.444 m is a very disappointing financial outcome for the year and demonstrates the narrow margins within which the University operates.

The increase in income in other areas was partly negated by a reduction in short course fees and Catering and Conference income. There is also a reduction in the Deferred Capital Grants released during the year in respect of Funding Council income due to the reduction of separate identifiable capital funding which will eventually be eliminated. Increased revenue grants are unlikely to compensate fully for this reduction which will in the longer term result in the full cost of Asset Depreciation being borne by General Funds.

Staff costs which represent 60 % of operating expenses increased by 3 % as a result of pay awards and incremental increases. One factor which served to mitigate the overall level of the deficit was a retrospective recovery of VAT paid in earlier years, a recovery which the University hopes to repeat in subsequent accounting periods.

Investment performance

Income from the University's externally managed investments increased by £25,000 to £125,000.

These investments are handled through the Consolidated Fund No 1 which operates as a Unit Trust. The increased income earned by the Fund resulted in an increase in dividend from £2.006 per unit to £2.357 per unit and, at the same time, enabled a sum of £5,000 to be transferred to the Revenue Reserve which now stands at £29,000.

The results from treasury operations within the Finance Division were again satisfactory. Total interest earned through effective day to day management of temporarily surplus funds amounted to £642,000 an effective rate of 6.1 %. £150,000 of this sum was allocated to specific funds while £492,000 accrued to general University funds.

Capital projects

No major new capital developments were started or completed during the year, although significant work was carried out on upgrading laboratories in Science Schools, in part with cash from the Wolfson Foundation. Work has also proceeded steadily with plans for the new Sports Park, towards which the Sports Lottery Fund announced a substantial grant during the course of the year.

Sadly after the end of the financial year, we received notification from the Heritage Lottery Fund that our grant application with Norfolk County Council for a substantial grant towards the cost of the Norfolk Records Office/East Anglian Studies Centre project had been rejected. This imaginative development will not therefore now proceed.

Other significant developments

A number of other noteworthy developments took place during the year.

In May 1997 a Learning Shop was opened in the centre of Norwich. The aim of the shop was to provide a one-stop information service for those seeking information about opportunities in Higher and Further Education.

The University and Norwich City College were the lead partners in this development and associate partners were Easton College, Norfolk Adult Education, Norwich School of Art and Design and the Open University. The development also received support from Bull Information Systems and Norwich City Council.

The other significant development was the formation of the School of Health which brought together three existing Schools: Occupational Therapy and Physiotherapy (OPT), Health Policy and Practice (HPP), and Nursing and Midwifery (NAM). The new, multidisciplinary School co-ordinates research across the University, for the basic biomedical sciences, through epidemiology, the applied social sciences, to health service and health professional research and research in medical history. It has more than 120 staff and over 2000 students located on the main UEA campus, at Hellesdon (Norwich) and King's Lynn; and it maintains close links with other members of the Norwich Research Park.

Cash flow

The Consolidated Cash Flow Statement shows that there was a net cash outflow after financing in the year of £92,000.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing employees becoming disabled every effort is made to ensure that their employment with the University continues and appropriate training is arranged. It is the policy of the University that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee involvement

The University values the involvement of its employees and good communication with them. The University publishes an official newsletter which is made available to all staff and separate supplements are published when the need arises. Staff are encouraged to participate in formal and informal consultation at University and School level, including membership of formal committees. The University has a Staff Development and Training Unit which is responsible for providing technical and general training for all levels of staff.

Future developments

The University has one substantial capital project in the planning stage. This is the development of a major new Sports Park adjacent to existing University sports facilities to be undertaken with the help of a substantial grant from the Sports Lottery Fund.

The University will also need to address other capital expenditure needs over the coming years. These will include additions to, as well as replacement and major refurbishment of academic and other buildings. Given the demise of Funding Council's capital grants and the continuing squeeze on revenue resources, financing such expenditure will present a considerable challenge.

Conclusion

The year has been a difficult one with a great deal of effort devoted to dealing with the impact of cumulative reductions in government funding. The future financial position is further exacerbated by the announcement in February 1997 of an unfavourable grant settlement for the year commencing 1 August 1997. Fortunately through prudent management in earlier years, the University has available cash backed reserves to enable it to respond to this challenge in a planned and measured fashion. Additional income will require to be generated and costs to be rigorously controlled. However, I said last year, the University's principal asset remains its staff and I am confident that their commitment and creativity will enable the University, successfully to respond to this latest challenge.

David McCall

Treasurer during 1996/97,

resigned as Treasurer on 31 July 1997 on becoming Chairman of University Council

11 November 1997

STATEMENT OF COUNCIL'S RESPONSIBILITIES

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 accounts for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the accounts are prepared in accordance with the Royal Charter, the Statement of Recommended Practice: Accounting in Higher Education Institutions, guidance issued by the Higher Education Funding Council for England ("HEFCE") and relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the HEFCE and the Council, the Council, through its designated office holder, is required to prepare accounts 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 accounts to be prepared, the Council has to ensure that:

- *suitable accounting policies are selected and applied consistently;*
- *judgements and estimates are made that are reasonable and prudent;*
- *applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;*
- *accounts 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 the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the HEFCE and any other conditions which the HEFCE may from time to time prescribe;*
- *ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;*
- *safeguard the assets of the University and 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.*

Signed on behalf of Council

8 December 1997

AUDITORS' REPORT TO THE COUNCIL OF THE UNIVERSITY OF EAST ANGLIA

We have audited the financial statements on pages 6 to 21.

Respective responsibilities of the Council and Auditors

As described on page 4 the Council is responsible for ensuring that financial statements are prepared. It is our responsibility to form an independent opinion, based on our audit, on those financial statements, and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. 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.

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 1997 and of the deficit of income over expenditure of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Higher Education Institutions;*
- ii income from the Higher Education Funding Council for England ("HEFCE") and the Teacher Training Agency ("TTA"), grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 1997 have been applied only for the purposes for which they were received; and*
- iii income during the year ended 31 July 1997 has been applied in accordance with the University's Statutes and where appropriate with the Financial Memorandum dated March 1996 with the HEFCE and the funding agreement dated July 1996 with the TTA.*

KPMG

Chartered Accountants

Registered Auditors

Holland Court, The Close, Norwich, NR1 4DY

17 December 1997

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, in accordance with the Statement of Recommended Practice: Accounting in Higher Education Institutions ("the SORP") and in accordance with applicable accounting standards.

2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the University and all subsidiary undertakings for the year ended 31 July 1997. The University does not exercise a dominant influence on the Union of UEA Students and therefore the accounts of that body are not consolidated.

3 Recognition of income

Income from specific endowments, research grants and other contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short term deposits and Consolidated Research Fund's 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 and the University of East Anglia Staff Superannuation Scheme, both defined benefit schemes contracted out of the State Earnings-Related Pension Scheme. The schemes are valued every three years by actuaries using the projected unit method, the rates of contributions payable being determined by the trustees on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuation of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average remaining working life of members of the schemes after making allowance for future withdrawals.

5 Fixed tangible assets and depreciation

Fixed tangible 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 cost including attributable interest or valuation at date of donation. Land is held freehold and is not depreciated. Buildings are depreciated over their expected useful life of 50 years, on a straight line basis.*
- b Equipment acquired with specific research grants costing less than £5,000 per item or group of related items is written off in the year of acquisition. All other equipment is capitalised at cost. Equipment acquired with a specific research grant is depreciated over the length of the related grant. Other equipment is depreciated over its expected useful life of four years, on a straight line basis.*
- c 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. No current valuations of the University's art collections are included in the financial statements since in the Council's opinion such valuations could not adequately reflect either the terms on which the collections are held or their enormous significance to the University.*

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

Endowment asset investments are included in the balance sheet at market value. Current asset investments are included at the lower of cost and net realisable value. Investments in subsidiary companies are included in the balance sheet at the lower of cost and the value of the underlying net assets, using the University's accounting policies. Endowment asset investments now include cash and short term deposits so that endowment asset investments equal specific endowments in the balance sheet. Previously the endowment asset investments held with the University's funds had not been separated.

STATEMENT OF ACCOUNTING POLICIES (continued)

8 Deferred maintenance provision

The University has a long term maintenance programme which is reviewed annually in light of the latest assessment of needs and resources available to the University. A provision is created by way of an annual charge to the income and expenditure account to spread the total cost of the programme over the period of the programme. All expenditure on long term maintenance is charged to this provision.

9 Deferred capital grants

Where a fixed asset is donated to the University or acquired with the aid of a specific grant or gift, the related grant or gift is treated as a deferred capital grant and is released to income over the expected useful life of the asset.

10 Specific endowments

The unspent balances of bequests and gifts received, for which the use of the capital and income or only the 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 Business Expansion Scheme companies

In accordance with Financial Reporting Standard No. 5: "Reporting the Substance of Transactions", certain properties whose title has been transferred to companies established under the Business Expansion Scheme ("BES") with an option to repurchase are included in fixed tangible assets. The proceeds received from the BES companies have been treated as secured loans.

The amounts by which the estimated repurchase considerations under the option agreements exceed the proceeds received from the BES companies are accounted for as finance charges, added to the loan balances, on a straight line basis over the five year BES period.

12 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.

13 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. The University receives no similar exemption in respect of Value Added Tax.

14 Stock valuation

Stock is valued at the lower of cost and net realisable value.

15 Cash flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are payable on demand if they are in practice available within 24 hours without penalty. 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. They exclude any such asset held as Endowment Asset Investments other than the University's short term deposits used to fund endowments.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 1997

	Note	1997	1996
		£000	£000
Income			
Funding council grants	1	25,881	25,897
Academic fees and support grants	2	18,068	18,164
Research grants and contracts	3	11,762	11,508
Other operating income	4	10,449	10,701
Endowment income and interest receivable	5	1,484	1,480
Total income		67,644	67,750
Expenditure			
Staff costs	6	40,935	39,739
Depreciation	11	4,394	4,406
Other operating expenses	7	21,221	20,100
Interest payable	8	2,529	2,624
Total expenditure		69,079	66,869
(Deficit)/Surplus before tax		(1,435)	881
Taxation	10	(9)	(3)
(Deficit)/Surplus for the financial year		(1,444)	878

The income and expenditure for the year relates entirely to continuing operations.

The University of East Anglia has no revalued assets and there is, therefore, no difference between the results as reported and the historical cost results for either year.

The notes on pages 12 to 21 form part of these financial statements.

BALANCE SHEET

As at 31 July 1997

	Note	Consolidated		University	
		1997	1996	1997	1996
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11	67,101	67,950	66,380	67,254
Investments in subsidiaries	27	-	-	694	694
Other investments	22	35	35	35	35
		<u>67,136</u>	<u>67,985</u>	<u>67,109</u>	<u>67,983</u>
Endowment asset investments	12	<u>3,078</u>	<u>2,698</u>	<u>3,078</u>	<u>2,698</u>
Current assets					
Stocks		237	290	237	290
Debtors	13	5,984	6,633	6,936	9,232
Investments	14	14,034	14,189	14,034	14,189
Cash at bank and in hand		2,039	2,894	700	505
		<u>22,294</u>	<u>24,006</u>	<u>21,907</u>	<u>24,216</u>
Creditors : Amounts falling due within one year	15	<u>(10,121)</u>	<u>(10,273)</u>	<u>(9,831)</u>	<u>(10,499)</u>
Net current assets		<u>12,173</u>	<u>13,733</u>	<u>12,076</u>	<u>13,717</u>
Total assets less current liabilities		<u>82,387</u>	<u>84,416</u>	<u>82,263</u>	<u>84,398</u>
Creditors: Amounts falling due after more than one year	16	(30,577)	(30,662)	(30,577)	(30,662)
Provisions for liabilities and charges	17	X (1,593)	(1,585)	(1,561)	(1,585)
Total assets less liabilities		<u>50,217</u>	<u>52,169</u>	<u>50,125</u>	<u>52,151</u>
Deferred capital grants	18	<u>(29,351)</u>	<u>(30,239)</u>	<u>(29,351)</u>	<u>(30,239)</u>
Total net assets		<u>20,866</u>	<u>21,930</u>	<u>20,774</u>	<u>21,912</u>
Represented by:					
Specific endowments	19	3,078	2,698	3,078	2,698
Reserves					
Income and expenditure account	20	17,788	19,232	17,696	19,214
Total funds		<u>20,866</u>	<u>21,930</u>	<u>20,774</u>	<u>21,912</u>

The financial statements were approved by the Council on 8 December 1997 and have been signed on its behalf by:

Vincent Watts Vice-Chancellor
David S McCall Treasurer during 1996/97
Charles W Morland Director of Finance

The notes on pages 12 to 21 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 1997

	Note	1997	1996
		£000	£000
Net cash inflow from operating activities	23	2,028	3,660
Returns on investments and servicing of finance			
Interest and dividends received		1,117	1,040
Interest paid		(2,162)	(2,256)
Net cash outflow from returns on investments and servicing of finance		(1,045)	(1,216)
Taxation		(9)	(3)
Capital expenditure and financial investment			
Payments to acquire fixed tangible assets		(3,554)	(4,679)
Payment to acquire other investments		-	(35)
Payments to acquire endowment assets		(319)	(102)
Proceeds from sale of endowment assets		97	-
Capital grants received		2,262	3,513
Endowments received		578	629
Net cash outflow from capital expenditure and financial investment		(936)	(674)
Cash inflow before use of liquid resources and financing		38	1,767
Management of liquid resources			
Increase in short term deposits maturing within three months	24	(737)	(3,044)
Decrease/(increase) in short term deposits held as endowment funds	24	11	(87)
Decrease in other short term deposits	24	892	1,891
		166	(1,240)
Financing			
Loans acquired	25	-	4,545
Loans repaid	25	(296)	(4,677)
		(296)	(132)
(Decrease)/Increase in cash	24	(92)	395

Liquid resources include term deposits of less than a year, government securities and AA rated corporate bonds

Reconciliation of net cash flow to movement in net debt (note 21)

(Decrease)/Increase in cash in the period	(92)	395
Cash outflow from decrease in debt	296	132
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(166)	1,240
Change in net funds	38	1,767
Interest accrued on BES financing	(367)	(368)
Net debt at beginning of year	(14,713)	(16,112)
Net debt at end of year	(15,042)	(14,713)

The notes on pages 12 to 21 form part of these financial statements

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 1997

	<u>1997</u>	<u>1996</u>
	<u>£000</u>	<u>£000</u>
<i>(Deficit)/Surplus for the year</i>	<i>(1,444)</i>	<i>878</i>
<i>Appreciation of endowment asset investments</i>	<i>169</i>	<i>55</i>
<i>Endowments and endowment income retained for the year</i>	<i>211</i>	<i>189</i>
<i>Total recognised (losses)/gains relating to the year</i>	<i>(1,064)</i>	<i>1,122</i>
<i>Prior year adjustments:</i>		
<i>University funds previously stated as research balances</i>	<i>-</i>	<i>787</i>
<i>Net (losses)/gains recognised since the last annual report</i>	<i>(1,064)</i>	<i>1,909</i>
<i>Funds at the beginning of the year as shown in the last annual report</i>	<i>21,930</i>	<i>20,021</i>
<i>Net (losses)/gains as above</i>	<i>(1,064)</i>	<i>1,909</i>
<i>Funds carried forward at the end of the year</i>	<i>20,866</i>	<i>21,930</i>

The notes on pages 12 to 21 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

		Consolidated	
		1997	1996
		£000	£000
1 Funding council grants			
Basic recurrent grant (HEFCE)	22,569	22,833	
Basic recurrent grant (TTA)	902	619	
Special grants (HEFCE)	384	165	
Special grants (TTA)	109	18	
Deferred capital grants released in the year (note 18)	1,917	2,262	
	<u>25,881</u>	<u>25,897</u>	
2 Academic fees and support grants			
Full-time students	7,240	7,260	
Full-time students charged overseas fees	3,905	3,634	
Part-time fees	868	824	
Short course fees	955	1,277	
Other Teaching Contracts	4,889	4,977	
Research Training Support Grants	211	192	
	<u>18,068</u>	<u>18,164</u>	
3 Research grants and contracts			
Grants from research councils	4,612	4,835	
Grants from UK charities	1,495	1,385	
Other grants	5,655	5,288	
	<u>11,762</u>	<u>11,508</u>	
<i>This income includes deferred capital grants released in the year.</i>			
4 Other operating income			
Residences, catering and conferences	7,307	7,505	
Other services rendered	975	1,058	
Deferred capital grants released in the year	336	344	
Donations received	193	179	
Other income	1,638	1,615	
	<u>10,449</u>	<u>10,701</u>	
5 Endowment income and interest receivable			
Transferred from specific endowments (note 19)	517	578	
Income from current asset investments and cash balances	967	902	
	<u>1,484</u>	<u>1,480</u>	
6 Staff costs			
Wages and salaries	34,678	33,295	
Social security costs	2,655	2,511	
Other pension costs	3,602	3,933	
	<u>40,935</u>	<u>39,739</u>	
<i>Emoluments of the Vice-Chancellors (a new Vice-Chancellor was appointed with effect from October 1995)</i>			
August 1995 to September 1995	-	15	
October 1995 to July 1996	-	76	
August 1996 to July 1997	101	-	
	<u>101</u>	<u>91</u>	

The emoluments of the Vice-Chancellors exclude the University's related pension contributions which amounted to £15,000 in both years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Staff costs (continued)

The remuneration of other staff paid more than £50,000 in the year, excluding employer's pension contributions, fell in the following bands:

	Number of Staff	
	1997	1996
£50,000 - £59,999	8	2

Average number of staff employed by category:

Academic/Clinical	491	490
Administrative	234	232
Technical	144	141
Other	1,220	1,212
	2,089	2,075

1997	1996
£000	£000

7 Other operating expenses

Residences, catering and conferences	2,645	2,573
Fellowships, scholarships and prizes	279	258
Library books and periodicals	881	749
Heat, light, water and power	985	971
Provision for long-term maintenance	856	240
Grant to Union of UEA Students	323	324
Auditors' remuneration	29	24
Auditors' remuneration in respect of non-audit services	30	41
Other expenses	15,193	14,920
	21,221	20,100

8 Interest payable

Bank and other loans wholly repayable within five years	368	412
Loans not wholly repayable within five years	2,161	2,212
	2,529	2,624

9 Analysis of consolidated expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	23,952	1,180	5,584	-	30,716
Academic services	2,492	425	1,518	-	4,435
Research grants and contracts	5,519	897	3,432	-	9,848
Residences, catering and conferences	2,144	862	2,645	2,388	8,039
Other services rendered	223	-	106	-	329
Premises	2,473	849	3,578	141	7,041
Administration and central services	4,132	181	3,414	-	7,727
Other expenses	-	-	944	-	944
Total	40,935	4,394	21,221	2,529	69,079

NOTES TO THE FINANCIAL STATEMENTS (continued)

		Consolidated			
		1997	1996		
		£000	£000		
9 Analysis of consolidated expenditure by activity (continued)					
The depreciation charge has been funded by:					
Deferred capital grants released (Note 18)		3,150	3,397		
General income		1,244	1,009		
		<u>4,394</u>	<u>4,406</u>		
10 Taxation					
UK Corporation Tax at 23% (1996 24.67%) on the profits of subsidiary companies		<u>9</u>	<u>3</u>		
11 Fixed tangible assets					
	Freehold land and buildings £000	Assets in the course of construction £000	Furniture and equipment £000	Art collection £000	Total £000
Consolidated					
Cost or valuation					
At the beginning of the year	71,332	-	19,746	4,932	96,010
Additions at cost	61	512	2,812	160	3,545
Disposals	-	-	(1,789)	-	(1,789)
At the end of the year	<u>71,393</u>	<u>512</u>	<u>20,769</u>	<u>5,092</u>	<u>97,766</u>
Depreciation					
At the beginning of the year	12,592	-	15,468	-	28,060
Charge for the year	1,423	-	2,971	-	4,394
Eliminated on disposals	-	-	(1,789)	-	(1,789)
At the end of the year	<u>14,015</u>	<u>-</u>	<u>16,650</u>	<u>-</u>	<u>30,665</u>
Net book value					
At the end of the year	<u>57,378</u>	<u>512</u>	<u>4,119</u>	<u>5,092</u>	<u>67,101</u>
At the beginning of the year	<u>58,740</u>	<u>-</u>	<u>4,278</u>	<u>4,932</u>	<u>67,950</u>
University					
Cost or valuation					
At the beginning of the year	70,464	-	19,704	4,932	95,100
Additions at cost	61	512	2,748	160	3,481
Disposals	-	-	(1,789)	-	(1,789)
At the end of the year	<u>70,525</u>	<u>512</u>	<u>20,663</u>	<u>5,092</u>	<u>96,792</u>
Depreciation					
At the beginning of the year	12,417	-	15,429	-	27,846
Charge for the year	1,405	-	2,950	-	4,355
Eliminated on disposals	-	-	(1,789)	-	(1,789)
At the end of the year	<u>13,822</u>	<u>-</u>	<u>16,590</u>	<u>-</u>	<u>30,412</u>
Net book value					
At the end of the year	<u>56,703</u>	<u>512</u>	<u>4,073</u>	<u>5,092</u>	<u>66,380</u>
At the beginning of the year	<u>58,047</u>	<u>-</u>	<u>4,275</u>	<u>4,932</u>	<u>67,254</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Fixed tangible assets (continued)

The acquisition and construction of buildings with cost totalling £22,579,000 and net book value (after depreciation) £14,466,000 was funded, in whole or in part, by grants totalling £14,873,000 from the Higher Education Funding Council for England ("HEFCE") and its predecessor councils. Under the terms of the Financial Memorandum between the HEFCE and the University, should any of these buildings be sold the University may have to pay to the HEFCE a proportion of the proceeds equal to the proportion of the cost which was grant-funded.

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

Land and buildings include properties whose title has been transferred to companies established under the Business Expansion Scheme ("BES"). The cost of these properties was £5,902,000 and the net book value £5,548,000. Finance charges arising from arrangements with BES companies and totalling £214,000 have been included in the cost of land and buildings.

	Consolidated		University	
	1997	1996	1997	1996
	£000	£000	£000	£000
12 Endowment asset investments				
Balance at beginning of year	2,698	2,454	2,698	2,454
Movement in funds held within UEA short term deposits	(11)	87	(11)	87
Additions	319	102	319	102
Disposals	(97)	-	(97)	-
Appreciation, depreciation on disposal or revaluation	169	55	169	55
	3,078	2,698	3,078	2,698
Consisting of:				
UK equities	1,126	949	1,126	949
Fixed interest securities	542	571	542	571
Overseas funds	-	4	-	4
Index linked	68	63	68	63
Cash in hand and short term deposits	1,342	1,111	1,342	1,111
	3,078	2,698	3,078	2,698
13 Debtors				
Debtors, advances and prepayments	5,813	6,363	5,323	6,353
Amounts due from subsidiary undertakings	-	-	1,442	2,609
UEASSS pensions prepayment	171	270	171	270
	5,984	6,633	6,936	9,232
All debtor balances are due within one year.				
14 Current asset investments				
Short term deposits maturing within three months	11,719	10,982	11,719	10,982
Other short term deposits	2,081	2,973	2,081	2,973
Other investments	234	234	234	234
	14,034	14,189	14,034	14,189
15 Creditors: amounts falling due within one year				
Capital creditors, accruals and receipts in advance	-	9	-	9
Revenue creditors, accruals and receipts in advance	7,955	8,408	7,513	8,273
Tax and social security	917	-	917	-
Amounts due to subsidiary undertakings	-	-	152	360
Current portion of long term secured loans	452	296	452	296
Bank overdraft	797	1,560	797	1,561
	10,121	10,273	9,831	10,499

For details of security on bank and other borrowings see note 16

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Consolidated		University	
	1997	1996	1997	1996
	£000	£000	£000	£000
16 Creditors: amounts falling due after more than one year				
Secured bank loans	23,505	23,943	23,505	23,943
Other secured loan	68	82	68	82
Business Expansion Scheme (see note 11)	7,004	6,637	7,004	6,637
	<u>30,577</u>	<u>30,662</u>	<u>30,577</u>	<u>30,662</u>
<i>Debts due after more than one year can be analysed as follows:</i>				
Due 1 - 2 years	7,636	452	7,636	452
Due 2 - 5 years	3,059	9,101	3,059	9,101
Due after more than 5 years	19,882	21,109	19,882	21,109
	<u>30,577</u>	<u>30,662</u>	<u>30,577</u>	<u>30,662</u>

Bank borrowing is secured over University land and buildings and is under various facilities expiring between 2013 and 2021. The other loan is secured on University property and expires 2002.

Business Expansion Scheme ("BES") financing represents commitments under arrangements to finance the construction of residences. The University sold an interest in properties to UEA Accommodation 1 plc and UEA Accommodation 2 plc, both BES companies, for total consideration of £5,687,000 and has the right to repurchase them in 1998/99 for an estimated sum of £7,531,000. The buy-back commitment, less finance charges attributable to future periods, is included in long term liabilities.

	Long term Maintenance		Other	Total
	Residences	Other	Provisions	
	£000	£000	£000	
17 Provisions for liabilities and charges				
Consolidated				
At the beginning of the year	776	356	453	1,585
Provided	636	1,028	183	1,847
Utilised	(459)	(1,330)	(50)	(1,839)
At the end of the year	<u>953</u>	<u>54</u>	<u>586</u>	<u>1,593</u>
University				
At the beginning of the year	776	356	453	1,585
Provided	636	1,028	151	1,815
Utilised	(459)	(1,330)	(50)	(1,839)
At the end of the year	<u>953</u>	<u>54</u>	<u>554</u>	<u>1,561</u>

Other provisions include PRCS and Retirement Gratuity Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Consolidated and University		
	Funding Council	Other	Total
	£000	£000	£000
18 Deferred capital grants			
<i>At the beginning of the year</i>			
Buildings	8,687	12,936	21,623
Equipment and other fixed tangible assets	2,640	5,976	8,616
	11,327	18,912	30,239
<i>Grants receivable in the year</i>			
Buildings	-	-	-
Equipment and other fixed tangible assets	1,377	885	2,262
	1,377	885	2,262
<i>Released to income and expenditure</i>			
Buildings	(297)	(336)	(633)
Equipment and other fixed tangible assets	(1,620)	(897)	(2,517)
	(1,917)	(1,233)	(3,150)
<i>At the end of the year</i>			
Buildings	8,390	12,600	20,990
Equipment and other fixed tangible assets	2,397	5,964	8,361
	10,787	18,564	29,351

	Consolidated and University	
	1997	1996
	£000	£000
19 Specific endowments		
<i>At the beginning of the year</i>	2,698	2,454
<i>Additions</i>	578	629
<i>Appreciation of endowment asset investments</i>	169	55
<i>Income from endowment asset investments</i>	102	98
<i>Income from current asset investments credited to specific endowments</i>	48	40
<i>Transferred to income and expenditure account (note 5)</i>	(517)	(578)
<i>At the end of the year</i>	3,078	2,698
<i>Representing:</i>		
Trust Funds	857	799
Zuckerman bequest	918	865
Sainsbury Endowment Fund	548	477
Sainsbury Unit Fund	376	332
D T K Wong Fellowship	241	108
Arthur Miller Centre	81	77
Development Fund	53	30
Others	4	10
	3,078	2,698

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Consolidated		University	
	1997	1996	1997	1996
	£000	£000	£000	£000
20 Income and expenditure account				
Balance at the beginning of the year:				
As previously reported	19,232	17,567	19,214	17,596
Prior year adjustments	-	787	-	787
As restated	19,232	18,354	19,214	18,383
(Deficit)/Surplus after tax	(1,444)	878	(1,518)	831
Balance at the end of the year	17,788	19,232	17,696	19,214

Analysis of (Deficit)/Surplus	1997	1996
	£000	£000
(Deficit)/Surplus for University	(1,518)	831
Surplus retained by subsidiary undertakings arising from consolidation	74	47
	(1,444)	878

Depreciation to be charged to the income and expenditure account in future years, less elements to be funded by the release of deferred capital grant, amounts to £37,686,000.

	Consolidated		University	
	1997	1996	1997	1996
	£000	£000	£000	£000
21 Prior year adjustments				
University funds previously stated as research balances	-	787	-	787
	-	787	-	787

The prior year adjustment made in 1996 was due to a change in accounting policy to recognise Consolidated Research Funds as income when received rather than as research grant income as described in Statement of Accounting Policy 3.

22 Other investments

The University holds 34,824 ordinary shares of £1 each fully paid 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Consolidated	
	1997	1996
23 Reconciliation of consolidated (deficit)/surplus to net cash flow from operating activities	£000	£000
(Deficit)/Surplus before taxation	(1,435)	881
Endowment income and interest receivable	(1,484)	(1,480)
Deferred capital grant release	(3,150)	(3,397)
Depreciation	4,394	4,406
Interest payable	2,529	2,624
Decrease/(increase) in stocks	53	(36)
Decrease/(increase) in debtors	649	(219)
Increase in creditors	464	735
Increase in provisions	8	146
Net cash inflow from operating activities	2,028	3,660

24 Analysis of changes in net debt	1 Aug 1996	Cash flows	Other non-cash	31 Jul 1997
	£000	£000	£000	£000
Cash at bank and in hand	2,894	(855)	-	2,039
Overdrafts	(1,560)	763	-	(797)
		(92)		
Debt due within 1 year	(296)	(156)	-	(452)
Debt due after 1 year	(30,662)	452	(367)	(30,577)
		296		
Short term deposits	10,982	737	-	11,719
Short term deposits held as endowment assets	956	(11)	-	945
Other short term deposits	2,973	(892)	-	2,081
		(166)		
	(14,713)	38	(367)	(15,042)

	1 Aug 1995	Cash flows	Other non-cash	31 Jul 1996
	£000	£000	£000	£000
Cash at bank and in hand	2,384	510	-	2,894
Overdrafts	(1,445)	(115)	-	(1,560)
		395		
Debt due within 1 year	(4,840)	4,544	-	(296)
Debt due after 1 year	(25,882)	(4,412)	(368)	(30,662)
		132		
Short term deposits	7,938	3,044	-	10,982
Short term deposits held as endowment assets	869	87	-	956
Other short term deposits	4,864	(1,891)	-	2,973
		1,240		
	(16,112)	1,767	(368)	(14,713)

25 Analysis of changes in financing during the year	Consolidated	
	1997	1996
	£000	£000
Loans:		
Balance at the beginning of the year	30,958	30,722
Cash inflows from financing	-	4,545
Interest accrued on BES financing	367	368
Capital repayments in the year	(296)	(4,677)
Balance at the end of the year	31,029	30,958

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Capital commitments

At 31 July 1997 there were outstanding commitments for capital expenditure of NIL (1996: £400,000). This related to an interest free loan of up to £400,000 to capitalise Overseas Development Group (UEA).

27 Subsidiary undertakings

The following companies, all registered in England and Wales, were subsidiary undertakings at 31 July 1997:

Name	Principal activity
UEA Overseas Development Group Limited	Research and courses
UEA Student Residences Limited	Leasing and operating student residences
UEA Utilities Limited	Provision of gas, electricity and other utilities
UEA Academic Books Limited	Resale of books
UEA Enterprises Limited	Building services
Overseas Development Group(UEA) (an exempt charity)	Education and research services
East Anglian University Residences Limited	Property management

UEA Overseas Development Group Limited and Overseas Development Group (UEA) are companies limited by guarantee over which the University exercises a dominant influence. Overseas Development Group (UEA) did not begin trading until 1 August 1996.

The University holds all issued £1 ordinary shares in each of UEA Student Residences Limited, UEA Utilities Limited, UEA Academic Books Limited and UEA Enterprises Limited. It holds all issued 50 pence shares in East Anglian University Residences Limited. All subsidiary undertakings are included in the consolidation.

The cost of investment of £694,000 (1996 £694,000) is in respect of East Anglian University Residences Limited.

28 Pensions

The University participates in two defined benefit contracted out pension schemes, the Universities Superannuation Scheme and the University of East Anglia Staff Superannuation Scheme. Both of these schemes provide benefits based on final pensionable salary. The assets of each scheme are held in separate trustee administered funds.

Universities Superannuation Scheme

The total pension cost for the University was £3,491,000 (1996 £3,800,000). The pension cost is assessed using the projected unit method.

The latest actuarial valuation of the scheme was at 31 March 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salary and pensions. It was assumed that the investment return would be 8.5% per annum, that salary scale increases would be 6.5% per annum and that pensions would increase by 5.0% per annum.

At the date of the last actuarial valuation, the market value of the assets of the scheme was £12,087 million and the actuarial value of the assets was sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The contribution rate payable by the University was 18.55% of pensionable salaries to 31 December 1996, and 14% thereafter. The actuary to the Universities Superannuation Scheme has confirmed that it is appropriate to take the pension costs in the institution's accounts to be equal to the actual contributions paid in the year. In particular, the contribution rate recommended following the 1996 valuation has regard to the scheme's surplus, the benefit improvements introduced subsequent to the valuation and the need to spread surpluses in a prudent manner over the future working lifetime of current scheme members.

University of East Anglia Staff Superannuation Scheme

The latest actuarial valuation of the scheme was at 31 July 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salary and pensions. It was assumed that the investment return would be 9.0% per annum, that salary scale increases would be 7.5% per annum and that pensions would increase by 5.0% per annum.

At the date of the last actuarial valuation which was carried out using the projected unit method, the market value of the assets of the Scheme was £31.8m and the actuarial value of the assets was sufficient to cover 138% of the benefits which had accrued to members to date.

In accordance with SSAP 24 the surplus of £8.1m has been spread over the estimated working lives of current members of the Scheme, which produces a pension cost for 1997 of £99,000 (1996 £121,000).

29 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.

30 Access funds

	1997	1996
	£000	£000
Balance at beginning of year	-	-
Funding Council Access Funds	185	185
Interest earned	2	4
Disbursements to students	(187)	(189)
Balance at end of year	-	-

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.

31 Sainsbury Laboratory

The Sainsbury Laboratory for molecular plant pathology was created on 12 March 1987 and is a joint venture between the Trustees of the Gatsby Charitable Foundation (one of the Sainsbury family charitable trusts), the Trustees of the John Innes Foundation, the Biotechnology and Biological Sciences Research Council and the University of East Anglia. Money to construct the building occupied by the Laboratory and to cover annual running costs for the first twelve years is provided by the Gatsby Charitable Foundation. Staff working at the Laboratory are employees of the University of East Anglia and their payroll costs are fully reimbursed. The 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 Laboratory staff and its reimbursement are excluded from the University's financial statements.