

University of East Anglia

Financial Statements

2004 - 2005



University of East Anglia

Norwich NR4 7TJ

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

Vice-Chancellor

Professor David Eastwood, BA, MA, Dphil

Treasurer

Stuart Holmes, FCA

Director of Finance

Charles W Morland, CPFA

Deputy Director of Finance

Tim Greenacre, ACMA

Bankers

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

Investment Managers

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

Auditors

PricewaterhouseCoopers LLP
The Atrium
St Georges Street
Norwich
NR3 1AG

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Treasurer's report

Outturn on Activities

The University generated an operating surplus of £4.1 million during the year (2003-2004 £0.6 million). This is £2.3 million in excess of our budgeted level. The reason for the excess is twofold. A pension provision of £1.1 million created in 2003-2004 is reversed in the current year and costs of £1.2 million budgeted for 2004-2005 will not be incurred until 2005-2006.

Turnover increased by £6.5 million to £124.2 million (2003-2004 £117.7 million). Income from Research Grants and Contracts rose from £24.8 million in 2003-2004 to £25.9 million in 2004-2005 including a sum of £0.6 million received from HEFCE to cover transitional costs as the sector moves towards a full economic cost pricing regime. The contribution to University overheads from this source rose from £3.6 million to £4.3 million. Income from Funding Council Grants rose by £2.6 million from £40.1 million to £42.7 million. Tuition fee income, including income relating to teaching contracts, increased by £1.1 million to £34.1 million of which £10.3 million related to full-time Home/EU students. These increases are a direct reflection of the quality and volume of the research we undertake, and the growth in student numbers as Medicine and Pharmacy build up to full operation.

Income from full-time international students fell by £0.9 million as UEA, in common with many other universities, suffered reduced overseas recruitment. This resulted largely from the strength of sterling and the effect of changes to the regulation and cost of visas. We have taken action to arrest and reverse this decline.

Short course fee income increased by £0.3 million to £2.3 million and teaching contract income by £0.8 million to £9.5 million.

Other income increased by £1.3 million to £20.5 million of which £1.2 million related to Residences, Catering and Conferences.

Expenditure increased by £3.0 million to £120.0 million (2003-2004 £117.0 million). Increased costs include £2.3 million growth in staff costs, principally as a result of pay awards and the reinstatement of employer contributions to the local superannuation scheme, offset in part by the release of the pension provision referred to above. There was a modest increase of 24 in average staff numbers. Interest payable increased £1.2 million to £2.4 million as we drew down on loan facilities to finance the construction of new residential and academic buildings.

Our operating cash surplus of £16.7 million looks, at first sight, strong. However it has benefited from a timing difference in the payment of net creditors of some £5.7 million and the deferral of costs of £1.2 million referred to above. The balance of cash is required to meet debt service costs of £4.4 million and minor capital expenditure which is capitalised in the accounts, of £3.3 million. The balance of the surplus is in line with our cash based budgets for the University's operations and residence related activities.

Reserves

Our reserves increased by £5.3 million to £40.5 million. The cash backed strategic reserve is £8.5 million. Our financial plan is for the level of this reserve to be around 5% of turnover to give us the ability to back investments of strategic importance. During the year as in the previous year we used part of this reserve to fund our capital programme. We anticipate that our investment programme will diminish this reserve further over the next few years before we replenish it to historical levels. We have the confidence to do this in the short term because the level of our liquid resources are adequate and because we have the relative security of long term fixed rate debt facilities.

Investment of Financial Resources

The value of fixed tangible assets increased during the year by £48.0 million to £188.0 million. This increase reflects continuing expenditure on new residences, a research building, an extension to the library and research equipment purchased out of external grants. Future expenditure levels will reflect our success in accumulating surpluses and in attracting external funding. Debt, in general, will continue to be invested in schemes that are reasonably certain to cover fully the cost of the loan.

Treasurer's report (continued)

Net debt

Our net debt, being loans and finance leases less investments and cash, has increased from £19.0 million to £41.8 million in 2004-2005. Most of the increase in net debt was invested in the construction of residences. By the year end we had drawn down £73.0 million of our £100 million loan facility. The balance is earmarked for Residences and the Nursing and Midwifery building. Investments rose by £4.9 million and cash by £2.8 million.

Outlook

The University continues to be prudently managed and, as a result of this and the hard work of high quality staff, has achieved significant and sustainable growth over a period of years. The challenge remains to turn the the growth to surplus, although we are already seeing the initial benefits of our restructuring programme which saw the University adopt a four faculty structure. We anticipate an increase in income arising from the introduction of variable fees in 2006. This will not generate surpluses in the early years as the full impact of variable fees will not be felt for three years, five in the case of medicine, and we need to fund the cost of anticipated above inflation salary costs arising from nationally negotiated pay settlements.

Stuart Holmes

6 December 2005

Corporate Governance Statement

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University is applying the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. 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 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 regularly reviewed by the Council and adapted in the light of experience. The process accords with the internal 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 amongst its members.

The Planning and Resources Committee, inter alia, recommends to the Council the University's annual revenue budgets and monitors performance in relation to the approved budgets.

The Council Membership Committee considers nominations for co-opted vacancies in the Council membership 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, comprised entirely of lay members. The Committee considers detailed reports together with recommendations for improvement of the University's systems of internal control and management's responses and implementation well as considering the annual financial statements, prior to the recommendation as to adoption by the Planning and Resources Committee. At the September Audit Committee meeting, the approach was agreed for consideration of risk management matters. It was resolved that at each meeting a key risk will be addressed and will involve 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.

Corporate Governance Statement (Continued)

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.

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;
- 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 the appointment of auditors.

Signed on behalf of Council

6 December 2005

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

We have audited the financial statements which comprise the consolidated income and expenditure account, the statement of consolidated total recognised gains and losses, the balance sheets, the consolidated cash flow statement and the related notes which have been prepared under the historical cost convention as modified by the revaluation of endowment 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 responsibility 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 Institutions, applicable United Kingdom law and accounting standards is 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This 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 Teacher Training Agency. 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. 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 University's corporate governance procedures or its risk and control procedures.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and HEFCE's 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 University's and 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 2005 and of the surplus of income over expenditure, recognised gains and losses and cash flows of the group for the year then ended, and the statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education;
- ii in all material respects, income from the Higher Education Funding Council for England and the Teacher Training Agency grants 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 Teacher Training Agency.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Norwich

6 December 2005

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 (the "SORP"): Accounting for Further and Higher Education (2003) and in accordance with applicable accounting standards in the United Kingdom.

2 Basis of consolidation

The consolidated financial statements incorporate the University and all of its subsidiary undertakings and joint ventures for the year ended 31 July 2005. Intra-group sales and profits are eliminated fully on consolidation. The University does not exercise a dominant influence over the Union of UEA Students and therefore the accounts of that body are not consolidated. The University has taken the exemption available not to disclose a separate University Income and Expenditure Account.

3 Recognition of income

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

Income receivable from the funding bodies is recognised on a receivable basis and represents the allocated award for the academic year.

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

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

4 Pension costs

The two principal pension schemes for the University's staff are the national Universities Superannuation Scheme and the University of East Anglia Staff Superannuation Scheme, both defined benefit schemes contracted out of the State Second Pension. 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 based 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 deficits 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 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 Adaptions 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 & 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.

Statement of accounting policies (continued)

6 Library books and periodicals

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

7 Investments

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

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

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 cost, subject to reviews for impairment.

8 Deferred capital grants

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

9 Specific endowments

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

10 Foreign currencies

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

11 Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988.

12 Stock

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

13 Cash and liquid resources

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

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

14 Leases

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

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

Statement of accounting policies (continued)

15 Finance Costs

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

16 Provisions

Provisions are recognised to the extent the University has 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.

17 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 FRS19, 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 2005

| | Note | 2005 £'000 | 2005 £000 | 2005 £'000 | 2004 £000 |
|--|------|---------------------|---------------------|---------------|--------------|
| | | Pre- Exceptional | Exceptional Item | Total | |
| Income | | | | | |
| Funding council grants | 1 | 42,706 | | 42,706 | 40,072 |
| Tuition fees and education contracts | 2 | 34,115 | | 34,115 | 33,035 |
| Research grants and contracts | 3 | 25,924 | | 25,924 | 24,822 |
| Other income | 4 | 20,454 | | 20,454 | 19,120 |
| Endowment and investment income | 5 | 1,122 | | 1,122 | 628 |
| | | <hr/> | | <hr/> | |
| Total income: group and share of joint ventures | | 124,321 | | 124,321 | 117,677 |
| Less: share of joint venture's income | | (160) | | (160) | (8) |
| | | <hr/> | | <hr/> | |
| Group income | | 124,161 | | 124,161 | 117,669 |
| Expenditure | | | | | |
| Staff costs | 6 | 72,599 | (1,096) | 71,503 | 69,186 |
| Other operating expenses | 7 | 35,792 | | 35,792 | 36,703 |
| Depreciation | 11 | 10,344 | | 10,344 | 9,866 |
| Interest payable | 8 | 2,401 | | 2,401 | 1,225 |
| | | <hr/> | | <hr/> | |
| Total expenditure | 9 | 121,136 | | 120,040 | 116,980 |
| | | <hr/> | | <hr/> | |
| Share of operating profit in joint ventures | | - | | - | - |
| | | <hr/> | | <hr/> | |
| Surplus before tax | | 3,025 | 1,096 | 4,121 | 689 |
| Taxation | 10 | (11) | | (11) | (62) |
| | | <hr/> | | <hr/> | |
| Surplus for the financial year | | 3,014 | 1,096 | 4,110 | 627 |
| Transfer from accumulated income within specific endowments | 22 | 1,239 | | 1,239 | 1,404 |
| | | <hr/> | | <hr/> | |
| Surplus for the year retained within general reserves | 23 | 4,253 | 1,096 | 5,349 | 2,031 |
| | | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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

The notes on pages 16 to 32 form part of these financial statements.

Statement of consolidated total recognised gains and losses for the year ended 31 July 2005

| | <i>Note</i> | 2005 £000 | 2004 £000 |
|--|-------------|---------------|---------------|
| Surplus for the year | | 4,110 | 627 |
| Appreciation of endowment asset investments | 22 | 296 | 55 |
| New endowments | 22 | 1,458 | 1,376 |
| Total recognised gains relating to the year | | <u>5,864</u> | <u>2,058</u> |
| | | | |
| Opening reserves and endowments | | 39,016 | 36,958 |
| Total recognised gains relating to the year (as above) | | 5,864 | 2,058 |
| Closing reserves and endowments | | <u>44,880</u> | <u>39,016</u> |

The notes on pages 16 to 32 form part of these financial statements.

Consolidated balance sheet as at 31 July 2005

| | Note | 2005 | | 2004 |
|--|------|------|-----------------|-----------------|
| | | £000 | £000 | £000 |
| Fixed assets | | | | |
| Tangible assets | 11 | | 187,969 | 139,881 |
| Investments in joint ventures | 12 | | | |
| Share of gross assets | | 58 | | 97 |
| Share of gross liabilities | | (58) | - | (97) |
| Other investments | 13 | | 124 | 364 |
| | | | <u>188,093</u> | <u>140,245</u> |
| Endowment assets | 15 | | <u>4,382</u> | <u>3,867</u> |
| Current assets | | | | |
| Stocks: raw materials and consumables | | | 415 | 404 |
| Debtors | 16 | | 13,856 | 13,141 |
| Investments | 17 | | 19,977 | 15,055 |
| Cash at bank and in hand | | | 10,177 | 8,246 |
| | | | <u>44,425</u> | <u>36,846</u> |
| Creditors: Amounts falling due within one year | 18 | | <u>(30,588)</u> | <u>(23,287)</u> |
| Net current assets | | | 13,837 | 13,559 |
| Total assets less current liabilities | | | <u>206,312</u> | <u>157,671</u> |
| Creditors: Amounts falling due after more than one year | 19 | | (71,845) | (41,615) |
| Provisions for liabilities and charges | 20 | | (6,028) | (7,359) |
| Total net assets | | | <u>128,439</u> | <u>108,697</u> |
| Represented by: | | | | |
| Deferred capital grants | 21 | | 83,559 | 69,681 |
| Specific endowments | 22 | | 4,382 | 3,867 |
| Reserves | | | | |
| General reserve | 23 | | 40,498 | 35,149 |
| Total funds | | | <u>128,439</u> | <u>108,697</u> |

The financial statements were approved by the Council on 6 December 2005 and have been signed on its behalf by:

| | |
|-------------------|---------------------|
| David Eastwood | Vice-Chancellor |
| Stuart Holmes | Treasurer |
| Charles W Morland | Director of Finance |

The notes on pages 16 to 32 form part of these financial statements.

University balance sheet as at 31 July 2005

| | <i>Note</i> | 2005 £000 | 2004 £000 |
|--|-------------|-----------------------|-----------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 183,754 | 133,786 |
| Investments in subsidiaries | 14 | 6,042 | 6,167 |
| Other investments | 13 | 35 | 275 |
| | | <u>189,831</u> | <u>140,228</u> |
| Endowment assets | 15 | <u>4,382</u> | <u>3,867</u> |
| Current assets | | | |
| Stocks: raw materials and consumables | | 415 | 404 |
| Debtors | 16 | 14,712 | 14,007 |
| Investments | 17 | 18,807 | 15,055 |
| Cash at bank and in hand | | 9,465 | 4,573 |
| | | <u>43,399</u> | <u>34,039</u> |
| Creditors: Amounts falling due within one year | 18 | <u>(28,985)</u> | <u>(20,508)</u> |
| Net current assets | | 14,414 | 13,531 |
| Total assets less current liabilities | | <u>208,627</u> | <u>157,626</u> |
| Creditors: Amounts falling due after more than one year | 19 | (71,071) | (40,628) |
| Provisions for liabilities and charges | 20 | (6,028) | (7,317) |
| Total net assets | | <u><u>131,528</u></u> | <u><u>109,681</u></u> |
| Represented by: | | | |
| Deferred capital grants | 21 | 83,559 | 69,681 |
| Specific endowments | 22 | 4,382 | 3,867 |
| Reserves | | | |
| General reserve | 23 | 43,587 | 36,133 |
| Total funds | | <u><u>131,528</u></u> | <u><u>109,681</u></u> |

The financial statements were approved by the Council on 6 December 2005 and have been signed on its behalf by:

| | |
|-------------------|---------------------|
| David Eastwood | Vice-Chancellor |
| Stuart Holmes | Treasurer |
| Charles W Morland | Director of Finance |

The notes on pages 16 to 32 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 July 2005

| | Note | 2005 £000 | 2004 £000 |
|--|------|--------------|--------------|
| Net cash inflow from operating activities | 24 | 16,673 | 6,942 |
| Returns on investments and servicing of finance | | | |
| Interest and dividends received | | 1,122 | 628 |
| Bank interest paid | | (2,299) | (838) |
| interest element of finance leases | | (102) | (87) |
| Net cash outflow from returns on investments and servicing of finance | | (1,279) | (297) |
| Taxation paid | | (20) | (8) |
| Capital expenditure and financial investment | | | |
| Payments to acquire fixed tangible assets | | (58,474) | (30,192) |
| Payments to acquire endowment assets | | (50) | - |
| Capital grants received | | 18,871 | 11,081 |
| Endowments received | | 1,458 | 1,376 |
| Net cash outflow from capital expenditure and financial investment | | (38,195) | (17,735) |
| Cash outflow before use of liquid resources and financing | | (22,821) | (11,098) |
| Management of liquid resources | | | |
| (Increase) in short term deposits | | (4,922) | (1,327) |
| (Increase)/decrease in short term deposits held as endowment funds | | (169) | 28 |
| | | (5,091) | (1,299) |
| Financing | | | |
| Capital element of finance lease payments | | (354) | (338) |
| Loans advanced | | 32,000 | 40,491 |
| Loans repaid | | (949) | (24,510) |
| | | 30,697 | 15,643 |
| Increase in cash | 25 | <u>2,785</u> | <u>3,246</u> |

Reconciliation of net cash flow to movement in net debt

| | | | |
|--|----|-----------------|-----------------|
| Increase in cash in the period | | 2,785 | 3,246 |
| Cash inflow from increase in debt | | (30,697) | (15,643) |
| Cash outflow from increase in liquid resources | | 5,091 | 1,299 |
| Movement in net funds | | (22,821) | (11,098) |
| Net debt at beginning of year | | (18,957) | (7,859) |
| Net debt at end of year | 25 | <u>(41,778)</u> | <u>(18,957)</u> |

The notes on pages 16 to 32 form part of these financial statements.

Notes to the financial statements

| | | Consolidated | |
|---|---|---------------|---------------|
| | | 2005 | 2004 |
| | | £000 | £000 |
| 1 | Funding council grants | | |
| | Basic recurrent grant - Higher Education Funding Council for England ("HEFCE") | 37,352 | 32,686 |
| | Basic recurrent grant - Teacher Training Agency ("TTA") | 2,011 | 2,101 |
| | Special grants (HEFCE) | 2,066 | 4,112 |
| | Special grants (TTA) | 11 | 44 |
| | Deferred capital grants released in the year (note 21) | 1,266 | 1,129 |
| | | <u>42,706</u> | <u>40,072</u> |
| HEFCE capital grants received have been transferred to the deferred capital grant fund (note 21) and released to income as explained in the statement of accounting policies. | | | |
| 2 | Tuition fees and education contracts | | |
| | Full-time students | 10,338 | 9,505 |
| | Full-time students charged overseas fees | 9,863 | 10,755 |
| | Part-time fees | 1,587 | 1,644 |
| | Short course fees | 2,322 | 2,007 |
| | Other teaching contracts | 9,520 | 8,761 |
| | Research training support grants | 485 | 363 |
| | | <u>34,115</u> | <u>33,035</u> |
| 3 | Research grants and contracts | | |
| | Grants from research councils | 12,777 | 10,938 |
| | Grants from UK charities | 4,172 | 4,192 |
| | Other grants | 8,975 | 9,692 |
| | | <u>25,924</u> | <u>24,822</u> |
| Included above are deferred capital grants released in the year of £2,518,000 (2004 £2,989,000). | | | |
| 4 | Other income | | |
| | Residences, catering and conferences | 10,633 | 9,432 |
| | Other services rendered | 1,417 | 1,197 |
| | Deferred capital grants released in the year - residences, catering and conferences | 31 | 30 |
| | Deferred capital grants released in the year - other | 1,178 | 1,272 |
| | Donations received | 113 | 86 |
| | Other income | 7,082 | 7,103 |
| | | <u>20,454</u> | <u>19,120</u> |
| 5 | Endowment and investment income | | |
| | Income from specific endowment assets | 199 | 146 |
| | Other investment income and interest receivable | 923 | 482 |
| | | <u>1,122</u> | <u>628</u> |
| 6 | Staff costs | | |
| | Wages and salaries | 60,223 | 55,662 |
| | Social security costs | 4,825 | 4,422 |
| | Pension costs (Note 27) | 6,455 | 9,102 |
| | | <u>71,503</u> | <u>69,186</u> |

Staff costs are analysed by activity in Note 9 below.

Pension costs include an exceptional credit of £1,096,000 in respect of revisions in actuarial assumptions underlying the SSAP24 valuation.

Notes to the financial statements (continued)

6 Staff costs (continued)

| | Consolidated | |
|-----------------------------------|--------------|------------|
| | 2005 | 2004 |
| | £000 | £000 |
| Emoluments of the Vice-Chancellor | 168 | 147 |
| | <u>168</u> | <u>147</u> |

The emoluments of the Vice-Chancellor exclude the University's related pension contributions. Pension contributions paid during 2005 were £22,400 (2004 £19,500). The above emoluments include benefits in kind of £6,500 (2004 £6,000)

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

| | Number of staff | |
|---|-----------------|--------------|
| | 2005 | 2004 |
| £70,000 - £79,999 | 13 | 12 |
| £80,000 - £89,999 | 5 | 4 |
| £90,000 - £99,999 | 3 | 3 |
| £100,000 - £109,999 | 2 | 1 |
| £120,000 - £129,999 | 1 | - |
| £130,000 - £139,999 | 1 | 1 |
| £140,000 - £149,999 | 1 | - |
| £150,000 - £159,999 | 1 | 1 |
| £180,000 - £189,999 | 1 | - |
| | <u>28</u> | <u>22</u> |
| Average number of staff employed by category: | | |
| Academic | 517 | 511 |
| Research and analogous | 368 | 357 |
| Secretarial and clerical | 469 | 480 |
| Technical | 146 | 153 |
| Other related | 216 | 203 |
| Admin, senior library and computing | 287 | 266 |
| Others | 442 | 451 |
| | <u>2,445</u> | <u>2,421</u> |

| | Consolidated | |
|---|---------------|---------------|
| | 2005 | 2004 |
| | £000 | £000 |
| 7 Other operating expenses | | |
| Residences, catering and conferences | 2,496 | 3,097 |
| Fellowships, scholarships and prizes | 8 | 30 |
| Library books and periodicals | 1,640 | 1,726 |
| Heat, light, water and power | 1,493 | 1,172 |
| Long-term maintenance | 965 | 1,300 |
| Grant to Union of UEA Students | 420 | 407 |
| Auditors' remuneration | 52 | 49 |
| Auditors' remuneration in respect of non-audit services : taxation and corporate advisory | 15 | 197 |
| Other expenses | 28,703 | 28,725 |
| | <u>35,792</u> | <u>36,703</u> |

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

8 Interest payable

| | | |
|------------------------|--------------|--------------|
| Bank interest | 2,299 | 1,138 |
| Finance lease interest | 102 | 87 |
| | <u>2,401</u> | <u>1,225</u> |

Notes to the financial statements (continued)

9 Analysis of consolidated expenditure by activity (2005)

| | Staff costs | Depreciation | Other operating expenses | Interest payable | Total |
|--------------------------------------|---------------|---------------|--------------------------|------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Academic departments | 38,676 | 1,113 | 11,788 | - | 51,577 |
| Academic services | 4,053 | 798 | 2,886 | - | 7,737 |
| Research grants and contracts | 12,350 | 2,515 | 6,775 | - | 21,640 |
| Residences, catering and conferences | 3,146 | 1,742 | 2,496 | 1,972 | 9,356 |
| Other services rendered | 504 | 2 | 775 | - | 1,281 |
| Premises | 3,756 | 3,868 | 4,065 | 429 | 12,118 |
| Administration and central services | 8,835 | 306 | 6,266 | - | 15,407 |
| Other expenses | 183 | - | 741 | - | 924 |
| Total | 71,503 | 10,344 | 35,792 | 2,401 | 120,040 |

Analysis of consolidated expenditure by activity (2004)

| | Staff costs | Depreciation | Other operating expenses | Interest payable | Total |
|--------------------------------------|---------------|--------------|--------------------------|------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Academic departments | 36,757 | 1,135 | 11,638 | - | 49,530 |
| Academic services | 4,115 | 801 | 3,185 | - | 8,101 |
| Research grants and contracts | 11,336 | 2,986 | 6,878 | - | 21,200 |
| Residences, catering and conferences | 3,395 | 1,016 | 3,097 | 1,059 | 8,567 |
| Other services rendered | 480 | 3 | 596 | - | 1,079 |
| Premises | 4,152 | 3,609 | 4,594 | 166 | 12,521 |
| Administration and central services | 8,776 | 316 | 5,715 | - | 14,807 |
| Other expenses | 175 | - | 1,000 | - | 1,175 |
| Total | 69,186 | 9,866 | 36,703 | 1,225 | 116,980 |

| Consolidated | |
|--------------|------|
| 2005 | 2004 |
| £000 | £000 |

The depreciation charge has been funded by:

| | | |
|--|---------------|--------------|
| Deferred capital grants released (Note 21) | 4,993 | 5,420 |
| General income | 5,351 | 4,446 |
| | <u>10,344</u> | <u>9,866</u> |

10 Taxation

(a) Analysis of charge in year

| Consolidated | |
|--------------|------|
| 2005 | 2004 |
| £000 | £000 |

Corporation tax at 19% (2004: 19%) on profit of subsidiaries

| | | |
|---------------------------|-----------|-----------|
| Current | 53 | 20 |
| Deferred - current period | - | 18 |
| - prior period | (42) | 24 |
| | <u>11</u> | <u>62</u> |

The surpluses of the University are not subject to Corporation Tax. The current tax charge 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 | |
|--|--------------|--------------|
| | 2005 £000 | 2004 £000 |
| Surplus before taxation | <u>4,331</u> | <u>689</u> |
| UK corporation tax at 19% (2004: 19%) | 823 | 130 |
| Effects of : | | |
| Surpluses of University not subject to corporation tax | (785) | (92) |
| Depreciation in excess of capital allowances/(capital allowances in excess of depreciation). | 15 | (18) |
| | <u>53</u> | <u>20</u> |

11 Tangible fixed assets

| | Consolidated | | | | |
|------------------------------|-------------------------------------|--|---------------------------------|-------------------------|----------------|
| | Freehold land and buildings £000 | Assets in the course of construction £000 | Furniture and equipment £000 | Art collections £000 | Total £000 |
| Cost or valuation | | | | | |
| At the beginning of the year | 121,783 | 34,410 | 41,042 | 9,562 | 206,797 |
| Additions at cost | 5,724 | 48,784 | 3,726 | 198 | 58,432 |
| Transfers | 18,926 | (18,926) | - | - | - |
| Disposals | - | - | (2,326) | - | (2,326) |
| At the end of the year | <u>146,433</u> | <u>64,268</u> | <u>42,442</u> | <u>9,760</u> | <u>262,903</u> |
| Depreciation | | | | | |
| At the beginning of the year | 34,849 | - | 32,067 | - | 66,916 |
| Charge for the year | 5,542 | - | 4,802 | - | 10,344 |
| Eliminated on disposals | - | - | (2,326) | - | (2,326) |
| At the end of the year | <u>40,391</u> | <u>-</u> | <u>34,543</u> | <u>-</u> | <u>74,934</u> |
| Net book value | | | | | |
| At the end of the year | <u>106,042</u> | <u>64,268</u> | <u>7,899</u> | <u>9,760</u> | <u>187,969</u> |
| At the beginning of the year | <u>86,934</u> | <u>34,410</u> | <u>8,975</u> | <u>9,562</u> | <u>139,881</u> |

Included in furniture and equipment are leased assets. The net book value of these assets at 31 July 2005 was £2,125,000 (2004 £2,353,000) and depreciation during the period on these assets was £228,000 (2004 £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 or valuation | | | | | |
| At the beginning of the year | 115,897 | 34,410 | 38,452 | 9,562 | 198,321 |
| Additions at cost | 6,119 | 50,313 | 3,297 | 198 | 59,927 |
| Transfers | 18,926 | (18,926) | - | - | - |
| Disposals | - | - | (2,323) | - | (2,323) |
| At the end of the year | <u>140,942</u> | <u>65,797</u> | <u>39,426</u> | <u>9,760</u> | <u>255,925</u> |
| Depreciation | | | | | |
| At the beginning of the year | 33,530 | - | 31,005 | - | 64,535 |
| Charge for the year | 5,417 | - | 4,542 | - | 9,959 |
| Eliminated on disposals | - | - | (2,323) | - | (2,323) |
| At the end of the year | <u>38,947</u> | <u>-</u> | <u>33,224</u> | <u>-</u> | <u>72,171</u> |
| Net book value | | | | | |
| At the end of the year | <u>101,995</u> | <u>65,797</u> | <u>6,202</u> | <u>9,760</u> | <u>183,754</u> |
| At the beginning of the year | <u>82,367</u> | <u>34,410</u> | <u>7,447</u> | <u>9,562</u> | <u>133,786</u> |

The acquisition and construction of buildings with cost totalling £93,635,000 and net book value of £69,043,000 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 of the University to dispose of any such buildings.

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

Included in furniture and equipment are leased assets. The net book value of these assets at 31 July 2005 was £847,000 (2004 £924,000) and depreciation during the period on these assets was £77,000 (2004 £77,000).

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

UC (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 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. UC (Suffolk) Limited's principal activity is the provision of education and research services.

Outstanding balances between UC (Suffolk) Limited and the University at the year end were £113,000 (2004:£194,000)

Notes to the financial statements (continued)

13 Other fixed asset investments

| | Consolidated £000 | University £000 |
|-----------------------------------|----------------------|--------------------|
| Cost | | |
| At 1.8.04 and 31.7.05 | 424 | 335 |
| | <u>424</u> | <u>335</u> |
| Provision for diminution in value | | |
| At 1.8.04 | 60 | 60 |
| Provided in period | 240 | 240 |
| At 31.7.05 | <u>300</u> | <u>300</u> |
| Net book value | | |
| At 31.7.05 | 124 | 35 |
| at 31.7.04 | <u>364</u> | <u>275</u> |
| Investments at cost comprise : | Consolidated £000 | University £000 |
| CVCP Properties PLC | 35 | 35 |
| ICENI Seedcorn Fund LLP | 300 | 300 |
| Fo2Pix Ltd | 50 | - |
| Segmentis Ltd | 28 | - |
| Weatherquest Ltd | 10 | - |
| Other | 1 | - |
| | <u>424</u> | <u>335</u> |

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

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

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

| | |
|--------|---|
| 300 | £1 shares in Bioscience Partnership Ltd |
| 249 | £1 shares in Webb Microtome Ltd |
| 14,292 | £0.05 shares in Segmentis Ltd |
| 26,291 | £0.01 shares in Fo2Pix Ltd |
| 50,000 | £1 shares in Fo2Pix Ltd |
| 10 | £1 shares in WeatherQuest Ltd |

14 Subsidiary undertakings

| | University £000 |
|-----------------------------------|--------------------|
| Cost | |
| At 1.8.04 and 31.7.05 | 7,487 |
| | <u>7,487</u> |
| Provision for diminution in value | |
| At 1.8.04 | 1,320 |
| Provided in period | 125 |
| At 31.7.05 | <u>1,445</u> |
| Net book value | |
| At 31.7.05 | 6,042 |
| at 31.7.04 | <u>6,167</u> |

Notes to the financial statements (continued)

14 Subsidiary undertakings (continued)

The following companies, all registered in England and Wales, were 100% owned subsidiary undertakings at 31 July 2005:

| 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 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 | |
|---|---------------------------|--------------|
| | 2005 £000 | 2004 £000 |
| Balance at beginning of year | 3,867 | 3,840 |
| Movement in funds held within UEA short term deposits | 169 | (28) |
| Additions | 50 | - |
| Appreciation of endowment assets | 296 | 55 |
| | <u>4,382</u> | <u>3,867</u> |
| Consisting of: | | |
| UK equities | 1,396 | 1,139 |
| Fixed interest securities | 1,120 | 1,018 |
| Other | 393 | 406 |
| Cash in hand and short term deposits | 1,473 | 1,304 |
| | <u>4,382</u> | <u>3,867</u> |

16 Debtors

| | Consolidated | |
|--|---------------|---------------|
| | 2005 £000 | 2004 £000 |
| Trade debtors | 3,643 | 3,742 |
| Accrued income and prepayments | 10,213 | 9,399 |
| | <u>13,856</u> | <u>13,141</u> |
| | | |
| | University | |
| | 2005 £000 | 2004 £000 |
| Trade debtors | 3,315 | 3,742 |
| Accrued income and prepayments | 8,358 | 7,095 |
| Amounts due from subsidiary undertakings | 3,039 | 3,170 |
| | <u>14,712</u> | <u>14,007</u> |

Notes to the financial statements (continued)

| | | |
|---|------------------|---------------|
| 17 Current asset investments | Consolidated | |
| | 2005 | 2004 |
| | £000 | £000 |
| Short term deposits maturing within three months | 19,243 | 14,821 |
| Other short term deposits | 500 | - |
| Other investments | 234 | 234 |
| | <u>19,977</u> | <u>15,055</u> |
| | University | |
| | 2005 | 2004 |
| | £000 | £000 |
| Short term deposits maturing within three months | 18,573 | 14,821 |
| Other investments | 234 | 234 |
| | <u>18,807</u> | <u>15,055</u> |
| 18 Creditors: amounts falling due within one year | Consolidated | |
| | 2005 | 2004 |
| | £000 | £000 |
| Bank loans and overdrafts | 952 | 1,360 |
| Obligations under finance leases | 374 | 353 |
| Trade creditors | 4,704 | 3,138 |
| Accruals and deferred income | 17,678 | 11,656 |
| Capital creditors | 5,212 | 5,254 |
| Corporation tax | 53 | 20 |
| Other taxation and social security | 1,615 | 1,506 |
| | <u>30,588</u> | <u>23,287</u> |
| For details of security on bank loans and overdrafts see note 19 | | |
| | University | |
| | 2005 | 2004 |
| | £000 | £000 |
| Bank loans and overdrafts | 952 | 1,360 |
| Obligations under finance leases | 161 | 152 |
| Trade creditors | 4,582 | 3,138 |
| Accruals and deferred income | 16,699 | 11,280 |
| Capital creditors | 1,937 | 284 |
| Other taxation and social security | 1,615 | 1,506 |
| Amounts due to subsidiary undertakings | 3,039 | 2,788 |
| | <u>28,985</u> | <u>20,508</u> |
| For details of security on bank loans and overdrafts see note 19 | | |
| 19 Creditors: amounts falling due after more than one year | Consolidated | |
| | 2005 | 2004 |
| | £000 | £000 |
| Bank loans | 70,590 | 39,985 |
| Obligations under finance leases | 1,255 | 1,630 |
| | <u>71,845</u> | <u>41,615</u> |
| | University | |
| | 2005 | 2004 |
| | £000 | £000 |
| Bank loans | 70,590 | 39,985 |
| Obligations under finance leases | 481 | 643 |
| | <u>71,071</u> | <u>40,628</u> |

Notes to the financial statements (continued)

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

Bank loans and overdrafts are repayable as follows :

| | Consolidated and University | |
|----------------------------|-----------------------------|---------------|
| | 2005 | 2004 |
| | £000 | £000 |
| In one year or less | 952 | 1,360 |
| Between one and two years | 1,035 | 536 |
| Between two and five years | 3,499 | 1,812 |
| In five years or more | 66,056 | 37,637 |
| | <u>71,542</u> | <u>41,345</u> |

Bank loans are secured over the group's freehold land and buildings and are under a facility expiring in 2034.

The net finance lease obligations are as follows :

| | Consolidated | |
|----------------------------|--------------|--------------|
| | 2005 | 2004 |
| | £000 | £000 |
| In one year or less | 374 | 353 |
| Between one and two years | 396 | 374 |
| Between two and five years | 803 | 1,116 |
| In five years or more | 56 | 140 |
| | <u>1,629</u> | <u>1,983</u> |

| | University | |
|----------------------------|------------|------------|
| | 2005 | 2004 |
| | £000 | £000 |
| In one year or less | 161 | 152 |
| Between one and two years | 171 | 162 |
| Between two and five years | 296 | 443 |
| In five years or more | 14 | 38 |
| | <u>642</u> | <u>795</u> |

20 Provisions for liabilities and charges

| | Consolidated | | | |
|-----------------------|--------------|--------------------|----------------|--------------|
| | 1.8.04 | Charged/(released) | Utilised | 31.7.05 |
| | £000 | £000 | £000 | £000 |
| Onerous lease | 40 | (8) | (32) | - |
| Pension contributions | 5,881 | 452 | (1,591) | 4,742 |
| Pension transfers | 1,396 | 212 | (322) | 1,286 |
| Deferred tax | 42 | (42) | - | - |
| | <u>7,359</u> | <u>614</u> | <u>(1,945)</u> | <u>6,028</u> |

The onerous lease provision relates to exceptional costs arising from the closure of student residences situated at Fifers Lane.

The pension contributions provision relates to the difference between contributions due to the scheme and contributions paid. The £452,000 charge in respect of pension contributions is comprised of a £1,548,000 current service cost and an exceptional release of £1,096,000 (Note 6).

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

The provision for deferred tax has been released in the year due to the availability of deferred tax assets on losses to offset against the provision. Gross losses available were £45,000 at the year end.

Notes to the financial statements (continued)

20 Provisions for liabilities and charges (continued)

| | University | | | 31.7.05 £000 |
|-----------------------|----------------|------------------|------------------|-----------------|
| | 1.8.04 £000 | Provided £000 | Utilised £000 | |
| Onerous lease | 40 | (8) | (32) | - |
| Pension contributions | 5,881 | 452 | (1,591) | 4,742 |
| Pension transfers | 1,396 | 212 | (322) | 1,286 |
| | <u>7,317</u> | <u>656</u> | <u>(1,945)</u> | <u>6,028</u> |

21 Deferred capital grants

| | Consolidated and University | | |
|---|-----------------------------|---------------|---------------|
| | Funding Council £000 | Other £000 | Total £000 |
| At the beginning of the year | | | |
| Buildings | 27,320 | 29,183 | 56,503 |
| Equipment and other fixed tangible assets | 275 | 12,903 | 13,178 |
| | 27,595 | 42,086 | 69,681 |
| Grants receivable in the year | | | |
| Buildings | 9,868 | 7,344 | 17,212 |
| Equipment and other fixed tangible assets | - | 1,659 | 1,659 |
| | 9,868 | 9,003 | 18,871 |
| Released to income and expenditure | | | |
| Buildings | (1,266) | (1,616) | (2,882) |
| Equipment and other fixed tangible assets | - | (2,111) | (2,111) |
| | (1,266) | (3,727) | (4,993) |
| At the end of the year | | | |
| Buildings | 35,922 | 34,911 | 70,833 |
| Equipment and other fixed tangible assets | 275 | 12,451 | 12,726 |
| | <u>36,197</u> | <u>47,362</u> | <u>83,559</u> |

22 Specific endowments

| | Consolidated & University | |
|---|---------------------------|--------------|
| | 2005 £000 | 2004 £000 |
| At the beginning of the year | 3,867 | 3,840 |
| Additions | 1,458 | 1,376 |
| Appreciation of endowment asset investments | 296 | 55 |
| Income (note 5) | 199 | 146 |
| Expenditure for year | (1,438) | (1,550) |
| At the end of the year | <u>4,382</u> | <u>3,867</u> |
| Representing: | | |
| Lord Zuckerman Bequest | 1,078 | 972 |
| Sainsbury Endowment Funds | 518 | 471 |
| D T K Wong Fellowship | 417 | 347 |
| Lord Walston Scholarship | 343 | 312 |
| Music Performance Scholarships | 220 | 208 |
| Other Funds | 1,806 | 1,557 |
| | <u>4,382</u> | <u>3,867</u> |

Notes to the financial statements (continued)

23 Movement on general reserves

| Income and expenditure account reserve | Consolidated | |
|---|---------------|---------------|
| | 2005 £000 | 2004 £000 |
| Balance at the beginning of the year | 35,149 | 33,118 |
| Surplus after tax and transfer from specific endowments | 5,349 | 2,031 |
| Balance at the end of the year | <u>40,498</u> | <u>35,149</u> |
| | University | |
| | 2005 £000 | 2004 £000 |
| Balance at the beginning of the year: | 36,133 | 32,731 |
| Surplus after tax and transfer from specific endowments | 7,454 | 3,402 |
| Balance at the end of the year | <u>43,587</u> | <u>36,133</u> |

| 24 Reconciliation of consolidated surplus to net cash inflow from operating activities | 2005 £000 | 2004 £000 |
|--|-------------------------|--------------|
| | Surplus before taxation | 4,121 |
| Endowment income and interest receivable | (1,122) | (628) |
| Deferred capital grant release | (4,993) | (5,420) |
| Depreciation | 10,344 | 9,866 |
| Impairment of investments | 240 | 29 |
| Interest payable | 2,401 | 1,225 |
| (Increase)/decrease in stocks | (11) | 43 |
| Increase in debtors | (715) | (2,892) |
| Increase in creditors | 7,697 | 212 |
| (Decrease)/increase in provisions | (1,289) | 3,818 |
| Net cash inflow from operating activities | <u>16,673</u> | <u>6,942</u> |

| 25 Analysis of changes in consolidated net debt | 31 Jul 04 £000 | Cash flows £000 | Other non-cash £000 | 31 Jul 05 £000 |
|---|-------------------|--------------------|---------------------------|-------------------|
| | | | | |
| Overdrafts | (854) | 854 | | - |
| | | <u>2,785</u> | | |
| Debt due within 1 year | (859) | (92) | (375) | (1,326) |
| Debt due after 1 year | (41,615) | (30,605) | 375 | (71,845) |
| | | <u>(30,697)</u> | | |
| Short term deposits | 14,821 | 4,422 | | 19,243 |
| Short term deposits held as endowment assets | 1,304 | 169 | | 1,473 |
| Other short term deposits | - | 500 | | 500 |
| | | <u>5,091</u> | | |
| | <u>(18,957)</u> | <u>(22,821)</u> | - | <u>(41,778)</u> |

Notes to the financial statements (continued)

26 Capital commitments

At 31 July 2005 there were outstanding commitments for capital expenditure of £6,958,000 (2004 £19,516,000)

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. 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

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 published actuarial valuation of the scheme was at 31 March 2002. 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 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 rate of interest would be 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the rate of interest would be 6.0% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% 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 £19,938 million and the value of past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate would be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5m (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation occurred at 31 March 2005 when the above rates were reviewed, however the valuation was not finalised at the date of signing these financial statements.

The total pension cost for the University was £5,632,000 (2004 £5,124,000).

University of East Anglia Staff Superannuation Scheme

An actuarial valuation was carried out as at 31 July 2003. Results revealed a deficit of assets (£45,733,000) over past service liabilities (£46,346,000) of £613,000.

The cost of one years benefit accrual for active members was calculated as 19.75% of salaries. This includes an allowance for the expenses of running the scheme and the cost of insuring the lump sum death benefit. Members contribute at the rate of 6.25% of salaries, and therefore the cost to the university is 13.5% of salary. This cost was calculated using the Projected Unit method and the following financial assumptions:

| | |
|---|--------------|
| Future price inflation (and the level of future pension increases) | : 2.75% p.a. |
| Future salary growth | : 4.00% p.a. |
| Discount rate - pre retirement | : 6.75% p.a. |
| Discount rate - post retirement | : 5.75% p.a. |

Notes to the financial statements (continued)

27 Pensions (continued)

For the purposes of the financial statements, and consistent with previous years, the University has adopted the expense and balance sheet figures required under SSAP24.

The pension provision at the start of the year was £5,881,000, representing the accumulated pension expense net of contributions made by the University. Allowing for the pension expense of £1,548,000, the exceptional credit (as explained in note 6) of £1,096,000, and University contributions of £1,591,000 the provision reduces to £4,742,000 at 31 July 2005.

Additional disclosures required in respect of FRS 17

In accordance with the transitional requirements of FRS17, a full actuarial valuation was carried out as at 31 July 2003 and updated to 31 July 2005 by a qualified independent actuary. The contributions made to the scheme in the accounting period were £1,591,000. Future contributions are agreed to continue at 14% of pensionable salary subject to actuarial review.

The principal assumptions used by the actuary were:

| | | 31 July 05 | 31 July 04 | 31 July 03 |
|---|---|------------|------------|------------|
| Rate of increase in salaries | : | 4.00% | 4.25% | 4.00% |
| Rate of increase of pensions in payment | : | 2.75% | 3.00% | 2.75% |
| Rate of increase of pensions in deferment | : | 2.75% | 3.00% | 2.75% |
| Discount rate | : | 5.00% | 5.75% | 5.50% |
| Inflation assumption | : | 2.75% | 3.00% | 2.75% |

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

| | At year end 31 July 05 | At year end 31 July 05 £000's | At year end 31 July 04 | At year end 31 July 04 £000's | At year end 31 July 03 | At year end 31 July 03 £000's |
|-----------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Equities | 5.90% | 38,430 | 6.50% | 33,881 | 6.75% | 32,826 |
| Bonds | 3.90% | 15,711 | 4.50% | 14,652 | 4.75% | 12,907 |
| Total market value of assets | | <u>54,141</u> | | <u>48,533</u> | | <u>45,733</u> |
| Actuarial value of liability | | <u>(59,967)</u> | | <u>(55,140)</u> | | <u>(50,475)</u> |
| Deficit in the scheme | | <u>(5,826)</u> | | <u>(6,607)</u> | | <u>(4,742)</u> |
| Related deferred tax | | - | | - | | - |
| Net pension liability under FRS17 | | <u><u>(5,826)</u></u> | | <u><u>(6,607)</u></u> | | <u><u>(4,742)</u></u> |

Notes to the financial statements (continued)

27 Pensions (continued)

Balance sheet presentation:-

If the above pension liability was recognised in the financial statements, the consolidated net assets and general reserve would be as follows:

| | At 31 July 05 Consolidated Net Assets £000's | At 31 July 05 Consolidated General Reserve £000's | At 31 July 04 Consolidated Net Assets £000's | At 31 July 04 Consolidated General Reserve £000's |
|------------------------------------|---|--|---|--|
| As reported | 128,439 | 40,498 | 108,697 | 35,149 |
| Net pension liability as per FRS17 | (5,826) | (5,826) | (6,607) | (6,607) |
| Release of SSAP 24 provision | 4,742 | 4,742 | 5,881 | 5,881 |
| On FRS17 basis | <u>127,355</u> | <u>39,414</u> | <u>107,971</u> | <u>34,423</u> |

Analysis of the amount (charged)/credited to operating profit:-

| | 2005 £000's | 2004 £000's |
|--------------------------|----------------|----------------|
| Current service cost | (2,579) | (2,128) |
| Past service cost | - | - |
| Settlements/curtailments | 1,066 | - |
| Total operating charge | <u>(1,513)</u> | <u>(2,128)</u> |

Analysis of amount charged to other finance income:-

| | 2005 £000's | 2004 £000's |
|--|----------------|----------------|
| Expected return on pension scheme assets | 2,738 | 2,793 |
| Interest on pension scheme liabilities | (3,076) | (2,803) |
| Net return | <u>(338)</u> | <u>(10)</u> |

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

| | 2005 £000's | 2004 £000's |
|--|----------------|----------------|
| Actual return less expected return on assets | 7,116 | 1,157 |
| Experience gains and losses on liabilities | (183) | (900) |
| Change in assumptions underlying the present value of the scheme liabilities | (5,892) | 16 |
| Net gain recognised in STRGL | <u>1,041</u> | <u>273</u> |

Movement in deficit during the year:-

| | 2005 £000's | 2004 £000's |
|--|----------------|----------------|
| Deficit in scheme at beginning of year | (6,607) | (4,742) |
| Movement in year: | | |
| Current service cost | (2,579) | (2,128) |
| Contributions | 1,591 | - |
| Settlements/curtailments | 1,066 | - |
| Other finance income | (338) | (10) |
| Actuarial gain | 1,041 | 273 |
| Deficit in scheme at end of year | <u>(5,826)</u> | <u>(6,607)</u> |

Notes to the financial statements (continued)

27 Pensions (continued)

History of experience gains and losses:-

| | 2005 | 2004 | 2003 | 2002 |
|---|-------|-------|---------|---------|
| Difference between the expected and actual returns on scheme assets | | | | |
| Amount (£000's) | 7,116 | 1,157 | 78 | (9994) |
| Percentage of scheme assets | 13% | 2% | 0% | (23%) |
| Experience gains and losses on scheme liabilities | | | | |
| Amount (£000's) | (183) | (900) | (917) | 517 |
| Percentage of scheme liabilities | 0% | (2%) | (2%) | 1% |
| Total amount recognised in STRGL | | | | |
| Amount (£000's) | 1,041 | 273 | (6,717) | (7,777) |
| Percentage of scheme liabilities | 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 £5,000 (2004: £9,000). The University also contributed to the National Health Service Pension Scheme, a defined benefit pension scheme. Contributions in the year were £154,000 (2004: £83,000).

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

| | 2005 £000 | 2004 £000 |
|------------------------------|--------------|--------------|
| Balance at beginning of year | 52 | 26 |
| Funding Council Access Funds | 563 | 501 |
| Interest earned | 12 | 8 |
| Disbursements to students | (462) | (483) |
| Balance at end of year | <u>165</u> | <u>52</u> |

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

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. 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 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 Teacher Training Agency Bursaries

| | 2005 £000 | 2004 £000 |
|---|----------------|----------------|
| Funding brought forward | 107 | 135 |
| Training Bursary funds received during the year | 2,167 | 2,163 |
| Training Bursary payments during the year | <u>(2,081)</u> | <u>(2,191)</u> |
| Funding carried forward | <u>193</u> | <u>107</u> |

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

34 Teacher Training Agency Student Associates Scheme

| | 2005 £000 | 2004 £000 |
|--------------------------------|--------------|--------------|
| Funding brought forward | - | - |
| Funds received during the year | 194 | 95 |
| Payments during the year | <u>(194)</u> | <u>(95)</u> |
| Funding carried forward | <u>-</u> | <u>-</u> |

Notes to the financial statements (continued)

35 Teacher Training Agency Minority Ethnic Recruitment

| | 2005 £000 | 2004 £000 |
|--------------------------------|--------------|--------------|
| Funding brought forward | - | - |
| Funds received during the year | 10 | 7 |
| Payments during the year | <u>(6)</u> | <u>(7)</u> |
| Funding carried forward | <u>4</u> | <u>-</u> |

36 Operating lease commitments

At 31 July 2005, the group had annual commitments under non-cancellable operating leases expiring as follows:-

| | 2005 Other £000 | 2004 Other £000 |
|--------------------------|-----------------------|-----------------------|
| Within 1 year | 81 | 8 |
| Within two to five years | <u>7</u> | <u>120</u> |
| | <u>88</u> | <u>128</u> |