

University of East Anglia

Financial Statements

2002 - 2003



University of East Anglia

Norwich NR4 7TJ

Telephone 01603 456161

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

Vice-Chancellor

Professor David Eastwood, BA, MA, Dphi

Treasurer

Stuart Holmes, FCA

Director of Finance

Charles W Morland, CPFA

Deputy Director of Finance

Tim Greenacre, ACMA

Bankers

Barclays Bank plc
5 - 7, Red Lion Street
St Stephens
Norwich
NR1 3QH

Investment Managers

Gerrard Ltd
Temple Court
35 Bull Street
Birmingham
B4 6ES

Auditors

RSM Robson Rhodes LLP
Daedalus House
Station Road
Cambridge
CB1 2RE

Contents

| | Page |
|--|------|
| Treasurer's report | 2 |
| Corporate Governance Statement | 4 |
| Independent auditors' report to the Council of the University of East Anglia | 6 |
| Statement of accounting policies | 7 |
| Consolidated income and expenditure account | 9 |
| Consolidated balance sheet | 10 |
| University balance sheet | 11 |
| Consolidated cash flow statement | 12 |
| Statement of consolidated total recognised gains and losses | 13 |
| Notes to the financial statements | 14 |

Treasurer's report

Outturn on Activities

The University generated an operating surplus of £1.7 million during the year (2001/2002 £2.5 million). This is a significant achievement at a time when University funding is increasingly competitive and there is pressure on costs from payroll taxes, pension commitments and the need to attract and retain high quality people.

Turnover rose by £9.9 million to £108.3 million (2001/2002 £98.4 million) with significant increases in all our main sources of income.

Research grants and contracts increased from £21.6 million in 2001/2002 to £23.2 million in 2002/2003. Indications from the recent spending settlements for science suggests that this upward trend in volume could be accompanied in future years by a greater contribution to University overheads. In 2002/2003 this contribution amounted to £3.4 million (2001/2002 £3.1 million).

Income from Funding Council grants grew by £3.9 million from £31.6 million to £35.5 million. This increase is largely a direct reflection of the growth in the quality and volume of the research we undertake.

Tuition fee income, including income relating to teaching contracts increased by £3.1 million to £28.6 million of which £8.9 million related to full time home/EU students and £8.8 million to full time international students. Short Course fee income rose by £0.7 million to £1.6 million and Teaching Contract income increased by £0.5 million to £7.4 million. Increases reflect additional funded numbers including the build up of our medical school and increased numbers of overseas students.

Other income increased by £1.3 million to £19.5 million. Of this increase £0.5 million related to Residences, Catering and Conferences. Donations rose by £0.4 million and other general sources of income rose by £1.0 million. Income from Other Services Rendered reduced by £0.5 million to £1.6 million which was to a large degree offset by a corresponding decrease in expenditure.

Expenditure increased by £10.7 million to £106.6 million (2001/2002 £95.9 million). Increased costs included £5.7 million year on year growth in pay costs, partly as a result of increased activity and partly as a result of pay awards. Other cost increases reflect increased activity.

Reserves

Our reserves increased by £1.7 million to £33.1 million, most of which represents physical assets and School reserves. The cash-backed strategic reserve is £5.0 million. Our financial strategy is that the level of strategic reserve should be no less than 5% of turnover. This gives us the ability to back investments of strategic importance. We are already starting to call on this reserve to fund our capital programme.

Investment of Resources

The value of fixed tangible assets increased during the year by £12.6 million to £114.5 million. Main items of expenditure were the ZICER building, the BMRC building, the first phase of the new residence building programme and research equipment purchased out of external grants.

Attracting external funding for the construction and refurbishment of fixed assets is essential as our operating income is insufficient to finance these costs in full. The latest spending review in 2002 indicated a significant increase in resources for higher education, part of which will come to universities through capital funds specifically targeted on research infrastructure. Nevertheless, we will still need to generate funds to meet the costs of new building and refurbishment work in schools and support functions not targeted by monies from these sources, notably teaching.

Treasurer's report (continued)

Financial Resources

Our net debt, being loans and finance leases less investments and cash, rose from £7.0 million to £9.0 million in 2002/2003 after repaying debt of £2.0 million during the year. Investments were reduced by £0.8 million and cash by £3.1 million as we used our own resources as a cost effective way of providing interim funding for new building developments, principally residences.

Outlook

We are looking to decouple increases in costs from increases in activity and are presently reviewing management structures as a part of this process. There is little logic to working harder without increasing surpluses. Cost pressures are likely to be more acute in the immediate future with pension contributions needing to be reinstated, higher borrowing costs to fund the capital programme and salary costs rising faster than inflation. It is likely that these pressures will erode or eliminate our annual surpluses in the short term. We need to take advantage of the proposed ability to charge variable fees in regulated fee areas. This with other measures will enhance our ability in the near term to generate surpluses of 3% of annual turnover, which remains a component of our financial strategy.

Conclusion

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 is to turn the growth to surplus so that we can continue to invest for our future.

Stuart Holmes

18 November 2003

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

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

The process for identifying, evaluating and managing the University's significant risks is now well developed and will be regularly reviewed by the Council and adapted in the light of experience. The process accords with the internal control guidance for directors on 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, the body responsible for the University's academic affairs. This Committee's membership includes two lay members appointed by the Council from amongst its members.

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

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

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

The Audit Committee meets three times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University's business and monitors adherence to regulatory requirements. Whilst senior officers attend meetings of the Audit Committee as necessary, they are not members of the Committee.

The Executive Team, the senior 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 while the Vice-Chancellor, as Chairman of the Executive Team and as the Responsible Officer under the Terms of the Financial Memorandum with the HEFCE, receives regular reports from the Principal 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 health 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. At its October 2003 meeting, the Council carried out an assessment for the year ended 31st July 2003 by considering documentation from the senior management team, and taking account of events since 31 July 2002. One significant adverse event had occurred during the year in question and the appropriate steps have been taken to prevent, as far as possible, any re-occurrence.

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 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 United Kingdom 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.

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.

On 3 May 2003 RSM Robson Rhodes, the University's auditors, transferred substantially the whole of their business to RSM Robson Rhodes LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. A resolution has been passed to transfer the financial statements audit responsibilities from RSM Robson Rhodes to RSM Robson Rhodes LLP.

Signed on behalf of Council

8 December 2003

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

We have audited the financial statements on pages 7 to 28. This report is made solely to the Council. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Council, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Council and Auditors

As described on page 5, the Council is responsible for preparing the financial statements. It is our responsibility to form an independent opinion, based on our audit, on the financial statements, and to report as to whether the financial statements give a true and fair view and are properly prepared in accordance with the relevant guidance.

We also report to you whether, income from funding bodies, grant and income for specific purposes and from restricted funds administered by the University have been properly applied for the purposes for which they were received and whether income has been applied in accordance with the University's statutes, the financial memorandum with HEFCE and the TTA funding agreement.

We also, at the request of the Council, review whether the statement on page 4 reflects the University's compliance with the relevant provisions of the Combined Code specified for our review by the Council, and we report if it does not.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the HEFCE code of Audit practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 2003 and of the surplus of income over expenditure and cash flow of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice Accounting in Further and 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 2003 have been applied only for the purposes for which they were received ; and
- iii income during the year ended 31 July 2003 has been applied in accordance with the University's Statutes and where appropriate with the Financial Memorandum dated August 2000 with the HEFCE and the funding agreement dated July 1996 with the TTA.

RSM Robson Rhodes LLP
Chartered Accountants
Registered Auditors
Daedalus House, Station Road, Cambridge, CB1 2RE

8 December 2003

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 for Further and Higher Education ("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 2003. 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 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 (S2P). 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 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. 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 include cash and short term deposits so that endowment asset investments equal specific endowments in the balance sheet.

Statement of accounting policies (continued)

8 **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.

9 **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.

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

12 **Stock valuation**

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

13 **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.

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.

Consolidated income and expenditure account for the year ended 31 July 2003

| | <i>Note</i> | 2003 £000 | 2002 £000 |
|---------------------------------------|-------------|----------------|---------------|
| Income | | | |
| Funding council grants | <i>1</i> | 35,445 | 31,578 |
| Tuition fees and education contracts | <i>2</i> | 28,556 | 25,459 |
| Research grants and contracts | <i>3</i> | 23,214 | 21,641 |
| Other income | <i>4</i> | 19,484 | 18,155 |
| Endowment and investment income | <i>5</i> | 1,557 | 1,579 |
| Total income | | <u>108,256</u> | <u>98,412</u> |
| Expenditure | | | |
| Staff costs | <i>6</i> | 62,332 | 56,657 |
| Other operating expenses | <i>7</i> | 32,890 | 29,711 |
| Depreciation | <i>11</i> | 9,162 | 7,198 |
| Interest payable | <i>8</i> | 2,194 | 2,363 |
| Total expenditure | | <u>106,578</u> | <u>95,929</u> |
| Surplus before tax | | 1,678 | 2,483 |
| Taxation | <i>10</i> | (8) | (11) |
| Surplus for the financial year | | <u>1,670</u> | <u>2,472</u> |

The income and expenditure for the two years relate 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 14 to 28 form part of these financial statements

Consolidated balance sheet as at 31 July 2003

| | <i>Note</i> | 2003 £000 | 2002 £000 |
|--|-------------|-----------------|-----------------|
| Fixed assets | | | |
| Tangible assets | <i>11</i> | 114,458 | 101,835 |
| Other investments | <i>21</i> | 393 | 123 |
| | | <u>114,851</u> | <u>101,958</u> |
| Endowment assets | <i>12</i> | <u>3,840</u> | <u>3,558</u> |
| Current assets | | | |
| Stocks | | 447 | 450 |
| Debtors | <i>13</i> | 10,249 | 9,974 |
| Investments | <i>14</i> | 13,728 | 14,495 |
| Cash at bank and in hand | | 5,535 | 7,510 |
| | | <u>29,959</u> | <u>32,429</u> |
| Creditors : Amounts falling due within one year | <i>15</i> | <u>(18,879)</u> | <u>(16,778)</u> |
| Net current assets | | 11,080 | 15,651 |
| Total assets less current liabilities | | <u>129,771</u> | <u>121,167</u> |
| Creditors: Amounts falling due after more than one year | <i>16</i> | (25,294) | (26,611) |
| Provisions for liabilities and charges | <i>17</i> | (3,499) | (2,186) |
| Total net assets | | <u>100,978</u> | <u>92,370</u> |
| Represented by: | | | |
| Deferred capital grants | <i>18</i> | 64,020 | 57,364 |
| Specific endowments | <i>19</i> | 3,840 | 3,558 |
| Reserves | | | |
| General reserve | <i>20</i> | 33,118 | 31,448 |
| Total funds | | <u>100,978</u> | <u>92,370</u> |

The financial statements were approved by the Council on 8 December 2003 and have been signed on it behalf by:

David Eastwood

Vice-Chancellor

Stuart Holmes

Treasurer

Charles W Morland

Director of Finance

The notes on pages 14 to 28 form part of these financial statements.

University balance sheet as at 31 July 2003

| | <i>Note</i> | 2003 £000 | 2002 £000 |
|--|-------------|-----------------|-----------------|
| Fixed assets | | | |
| Tangible assets | <i>11</i> | 107,856 | 94,735 |
| Investments in subsidiaries | <i>27</i> | 6,293 | 6,358 |
| Other investments | <i>21</i> | 304 | 35 |
| | | <u>114,453</u> | <u>101,128</u> |
| Endowment assets | <i>12</i> | <u>3,840</u> | <u>3,558</u> |
| Current assets | | | |
| Stocks | | 447 | 450 |
| Debtors | <i>13</i> | 11,882 | 10,452 |
| Investments | <i>14</i> | 13,728 | 14,495 |
| Cash at bank and in hand | | 3,136 | 5,919 |
| | | <u>29,193</u> | <u>31,316</u> |
| Creditors : Amounts falling due within one year | <i>15</i> | <u>(19,312)</u> | <u>(16,536)</u> |
| Net current assets | | 9,881 | 14,780 |
| Total assets less current liabilities | | <u>128,174</u> | <u>119,466</u> |
| Creditors: Amounts falling due after more than one year | <i>16</i> | (24,084) | (25,230) |
| Provisions for liabilities and charges | <i>17</i> | (3,499) | (2,186) |
| Total net assets | | <u>100,591</u> | <u>92,050</u> |
| Represented by: | | | |
| Deferred capital grants | <i>18</i> | 64,020 | 57,364 |
| Specific endowments | <i>19</i> | 3,840 | 3,558 |
| Reserves | | | |
| General reserve | <i>20</i> | 32,731 | 31,128 |
| Total funds | | <u>100,591</u> | <u>92,050</u> |

The financial statements were approved by the Council on 8 December 2003 and have been signed on it behalf by:

David Eastwood

Vice-Chancellor

Stuart Holmes

Treasurer

Charles W Morland

Director of Finance

The notes on pages 14 to 28 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 July 2003

| | Note | 2003 | | 2002 | |
|--|------|----------|---------|----------|---------|
| | | £000 | £000 | £000 | £000 |
| Net cash inflow from operating activities | 22 | | 9,145 | | 8,846 |
| Returns on investments and servicing of finance | | | | | |
| Interest and dividends received | | 929 | | 832 | |
| Interest paid | | (2,194) | | (2,363) | |
| Net cash outflow from returns on investments and servicing of finance | | | (1,265) | | (1,531) |
| Taxation | | | (8) | | (11) |
| Capital expenditure and financial investment | | | | | |
| Payments to acquire fixed tangible assets | | (21,991) | | (17,005) | |
| Payments to acquire endowment assets | | (38) | | (241) | |
| Capital grants received | | 11,842 | | 17,401 | |
| Endowments received | | 833 | | 923 | |
| Net cash (outflow)/inflow from capital expenditure and financial investment | | | (9,354) | | 1,078 |
| Cash (outflow)/inflow before use of liquid resources and financing | | | (1,482) | | 8,382 |
| Management of liquid resources | | | | | |
| Increase in short term deposits maturing within three months | 23 | (233) | | (3,641) | |
| (Increase)/decrease in short term deposits held endowment funds | 23 | (167) | | 65 | |
| Decrease in other short term deposits | 23 | 1,000 | | - | |
| | | | 600 | | (3,576) |
| Financing | | | | | |
| Capital element of finance lease rental payments | 24 | (294) | | (158) | |
| Loans acquired | 25 | - | | 820 | |
| Loans repaid | 25 | (1,976) | | (1,729) | |
| | | | (2,270) | | (1,067) |
| (Decrease)/increase in cash | 23 | | (3,152) | | 3,739 |

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

| | | |
|--|---------|----------|
| (Decrease)/increase in cash in the period | (3,152) | 3,739 |
| Cash outflow from decrease in debt | 2,270 | 1,067 |
| Cash (inflow)/outflow from (decrease)/increase in liquid resources | (600) | 3,576 |
| Movement in net funds | (1,482) | 8,382 |
| Finance lease obligations entered into | (318) | - |
| Net debt at beginning of year | (6,059) | (14,441) |
| Net debt at end of year | (7,859) | (6,059) |

The notes on pages 14 to 28 form part of these financial statements.

Statement of consolidated total recognised gains and losses for the year ended 31 July 2003

| | 2003 £000 | 2002 £000 |
|---|---------------|---------------|
| Surplus for the year | 1,670 | 2,472 |
| Appreciation/(depreciation) of endowment asset investments | 77 | (334) |
| Endowments and endowment income retained for the year | 205 | 176 |
| Total recognised gains relating to the year | <u>1,952</u> | <u>2,314</u> |
| | | |
| Opening reserves and endowments | 35,006 | 32,692 |
| Net gains as above | 1,952 | 2,314 |
| Closing reserves and endowments | <u>36,958</u> | <u>35,006</u> |

The notes on pages 14 to 28 form part of these financial statements.

Notes to the financial statements

| | | Consolidated | |
|--|---|---------------|---------------|
| | | 2003 | 2002 |
| | | £000 | £000 |
| 1 | Funding council grants | | |
| | Basic recurrent grant (HEFCE) | 29,572 | 27,042 |
| | Basic recurrent grant (TTA) | 1,365 | 1,328 |
| | Special grants (HEFCE) | 3,366 | 2,586 |
| | Special grants (TTA) | 4 | 50 |
| | Deferred capital grants released in the year (note 18) | 1,138 | 572 |
| | | <u>35,445</u> | <u>31,578</u> |
| 2 | Tuition fees and education contracts | | |
| | Full-time students | 8,912 | 8,546 |
| | Full-time students charged overseas fees | 8,848 | 7,306 |
| | Part-time fees | 1,449 | 1,491 |
| | Short course fees | 1,637 | 929 |
| | Other Teaching Contracts | 7,424 | 6,892 |
| | Research Training Support Grants | 286 | 295 |
| | | <u>28,556</u> | <u>25,459</u> |
| 3 | Research grants and contracts | | |
| | Grants from research councils | 10,926 | 9,044 |
| | Grants from UK charities | 4,284 | 3,971 |
| | Other grants | 8,004 | 8,626 |
| | | <u>23,214</u> | <u>21,641</u> |
| Included above are deferred capital grants released in the year of £2,844,000 (2002 £1,692,000). | | | |
| 4 | Other income | | |
| | Residences, catering and conferences | 8,981 | 8,522 |
| | Other services rendered | 1,565 | 2,089 |
| | Deferred capital grants released in the year | 1,178 | 1,204 |
| | Donations received | 604 | 162 |
| | Other income | 7,156 | 6,178 |
| | | <u>19,484</u> | <u>18,155</u> |
| 5 | Endowment and investment income | | |
| | Transferred from specific endowments (note 19) | 805 | 928 |
| | Income from current asset investments and cash balances | 752 | 651 |
| | | <u>1,557</u> | <u>1,579</u> |
| 6 | Staff costs | | |
| | Wages and salaries | 52,307 | 48,300 |
| | Social security costs | 3,791 | 3,463 |
| | Other pension costs | 6,234 | 4,894 |
| | | <u>62,332</u> | <u>56,657</u> |
| | Emoluments of the Vice-Chancellors | | |
| | August 2001 - July 2002 | - | 134 |
| | August 2002 - September 2002 | 22 | - |
| | September 2002 - July 2003 | 116 | - |
| | | <u>138</u> | <u>134</u> |

The emoluments of the Vice-Chancellors exclude the University's related pension contribution. Pension contributions paid during 2003 were £15,400 (2002 NIL)

Notes to the financial statements (continued)

6 Staff costs (continued)

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 | |
|---------------------|-----------------|----------|
| | 2003 | 2002 |
| £70,000 - £79,999 | 5 | 4 |
| £80,000 - £89,999 | 4 | 3 |
| £110,000 - £119,999 | - | 1 |
| £120,000 - £129,999 | 1 | - |
| £130,000 - £139,999 | 1 | - |
| | <u>11</u> | <u>8</u> |

Average number of staff employed by category

| | | |
|-------------------------------------|--------------|--------------|
| Academic | 481 | 461 |
| Research and analogous | 369 | 373 |
| Secretarial and clerical | 485 | 487 |
| Technical | 140 | 147 |
| Other related | 197 | 193 |
| Admin, senior library and computing | 238 | 186 |
| Others | 463 | 451 |
| | <u>2,373</u> | <u>2,298</u> |

7 Other operating expenses

| | Consolidated | |
|---|---------------|---------------|
| | 2003 £000 | 2002 £000 |
| Residences, catering and conferences | 3,108 | 2,545 |
| Fellowships, scholarships and prizes | 180 | 427 |
| Library books and periodicals | 1,482 | 1,266 |
| Heat, light, water and power | 1,422 | 1,161 |
| Long-term maintenance | 1,678 | 1,332 |
| Grant to Union of UEA Students | 386 | 332 |
| Auditors' remuneration | 44 | 41 |
| Auditors' remuneration in respect of non-audit services | 18 | 16 |
| Other expenses | 24,572 | 22,591 |
| | <u>32,890</u> | <u>29,711</u> |

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

8 Interest payable

| | | |
|---|--------------|--------------|
| Bank and other loans wholly repayable within five years | - | 1 |
| Loans not wholly repayable within five years | 2,194 | 2,362 |
| | <u>2,194</u> | <u>2,363</u> |

9 Analysis of consolidated expenditure by activity

| | Staff costs £000 | Depreciation £000 | Other operating expenses £000 | Interest payable £000 | Total £000 |
|--------------------------------------|------------------------|----------------------|--|-----------------------------|----------------|
| Academic departments | 32,832 | 1,174 | 9,215 | - | 43,221 |
| Academic services | 3,888 | 738 | 3,042 | - | 7,668 |
| Research grants and contracts | 11,083 | 2,843 | 5,924 | - | 19,850 |
| Residences, catering and conferences | 2,833 | 959 | 3,108 | 1,927 | 8,827 |
| Other services rendered | 550 | 2 | 678 | - | 1,230 |
| Premises | 3,381 | 3,209 | 5,056 | 267 | 11,913 |
| Administration and central services | 7,610 | 237 | 5,216 | - | 13,063 |
| Other expenses | 155 | - | 651 | - | 806 |
| Total | <u>62,332</u> | <u>9,162</u> | <u>32,890</u> | <u>2,194</u> | <u>106,578</u> |

Notes to the financial statements (continued)

9 Analysis of consolidated expenditure by activity continued (2002)

| | Staff costs £000 | Depreciation £000 | Other operating expenses £000 | Interest payable £000 | Total £000 |
|--------------------------------------|------------------------|----------------------|--|-----------------------------|---------------|
| Academic departments | 29,880 | 1,174 | 7,600 | - | 38,654 |
| Academic services | 3,429 | 729 | 2,647 | - | 6,805 |
| Research grants and contracts | 10,844 | 1,688 | 5,985 | - | 18,517 |
| Residences, catering and conferences | 2,463 | 920 | 2,545 | 2,058 | 7,986 |
| Other services rendered | 563 | 4 | 1,094 | - | 1,661 |
| Premises | 2,730 | 2,507 | 4,586 | 305 | 10,128 |
| Administration and central services | 6,726 | 176 | 4,710 | - | 11,612 |
| Other expenses | 22 | - | 544 | - | 566 |
| Total | <u>56,657</u> | <u>7,198</u> | <u>29,711</u> | <u>2,363</u> | <u>95,929</u> |

| | Consolidated | |
|---|--------------|--------------|
| | 2003 £000 | 2002 £000 |
| The depreciation charge has been funded by: | | |
| Deferred capital grants released (Note 18) | 5,186 | 3,468 |
| General income | 3,976 | 3,730 |
| | <u>9,162</u> | <u>7,198</u> |

10 Taxation

| | Consolidated | |
|--|--------------|--------------|
| | 2003 £000 | 2002 £000 |
| UK Corporation Tax charge on the profits of subsidiary companies | <u>(8)</u> | <u>(11)</u> |

11 Fixed tangible 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 | 98,624 | 10,923 | 37,734 | 8,076 | 155,357 |
| Additions at cost | 19,401 | (3,516) | 4,764 | 1,183 | 21,832 |
| Disposals | (63) | - | (3,096) | - | (3,159) |
| At the end of the year | <u>117,962</u> | <u>7,407</u> | <u>39,402</u> | <u>9,259</u> | <u>174,030</u> |
| Depreciation | | | | | |
| At the beginning of the year | 26,312 | - | 27,210 | - | 53,522 |
| Charge for the year | 4,067 | - | 5,095 | - | 9,162 |
| Eliminated on disposals | (16) | - | (3,096) | - | (3,112) |
| At the end of the year | <u>30,363</u> | <u>-</u> | <u>29,209</u> | <u>-</u> | <u>59,572</u> |
| Net book value | | | | | |
| At the end of the year | <u>87,599</u> | <u>7,407</u> | <u>10,193</u> | <u>9,259</u> | <u>114,458</u> |
| At the beginning of the year | <u>72,312</u> | <u>10,923</u> | <u>10,524</u> | <u>8,076</u> | <u>101,835</u> |

Included in furniture and equipment are leased assets. The net book value of these assets at 31 July 2003 was £2,581,000 (2002 £1,730,000) and depreciation during the period on these assets was £251,000 (2002 £151,000).

Notes to the financial statements (continued)

11 Fixed tangible 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 | 92,307 | 10,923 | 35,225 | 8,076 | 146,531 |
| Additions at cost | 19,567 | (3,516) | 4,757 | 1,183 | 21,991 |
| Disposals | (12) | - | (3,087) | - | (3,099) |
| At the end of the year | <u>111,862</u> | <u>7,407</u> | <u>36,895</u> | <u>9,259</u> | <u>165,423</u> |
| Depreciation | | | | | |
| At the beginning of the year | 25,234 | - | 26,562 | - | 51,796 |
| Charge for the year | 3,941 | - | 4,926 | - | 8,867 |
| Eliminated on disposals | (9) | - | (3,087) | - | (3,096) |
| At the end of the year | <u>29,166</u> | <u>-</u> | <u>28,401</u> | <u>-</u> | <u>57,567</u> |
| Net book value | | | | | |
| At the end of the year | <u>82,696</u> | <u>7,407</u> | <u>8,494</u> | <u>9,259</u> | <u>107,856</u> |
| At the beginning of the year | <u>67,073</u> | <u>10,923</u> | <u>8,663</u> | <u>8,076</u> | <u>94,735</u> |

The acquisition and construction of buildings with cost totalling £37,797,000 and net book value (after depreciation) £26,347,000 was funded, in whole or in part, by grants totalling £28,237,000 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.

Included in furniture and equipment are leased assets. The net book value of these assets at 31 July 2003 was £1,001,000 (2002 £953,000) and depreciation during the period on these assets was £89,000 (2002 £68,000).

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 Endowment assets

| | Consolidated & University | |
|---|---------------------------|--------------|
| | 2003 £000 | 2002 £000 |
| Balance at beginning of year | 3,558 | 3,716 |
| Movement in funds held within UEA short term deposits | 167 | (65) |
| Additions | 38 | 241 |
| Appreciation, depreciation on disposal or revaluation | 77 | (334) |
| | <u>3,840</u> | <u>3,558</u> |
| Consisting of: | | |
| UK equities | 1,060 | 931 |
| Fixed interest securities | 1,044 | 952 |
| Overseas funds | - | 18 |
| Other | 233 | 226 |
| Cash in hand and short term deposits | 1,503 | 1,431 |
| | <u>3,840</u> | <u>3,558</u> |

Notes to the financial statements (continued)

| | | |
|-----------------------------------|---------------|--------------|
| 13 Debtors | Consolidated | |
| | 2003 £000 | 2002 £000 |
| Debtors, advances and prepayments | 10,249 | 9,974 |
| | <u>10,249</u> | <u>9,974</u> |

| | | |
|--|---------------|---------------|
| | University | |
| | 2003 £000 | 2002 £000 |
| Debtors, advances and prepayments | 9,773 | 9,563 |
| Amounts due from subsidiary undertakings | 2,109 | 889 |
| | <u>11,882</u> | <u>10,452</u> |

| | | |
|--|---------------------------|---------------|
| 14 Current asset investments | Consolidated & University | |
| | 2003 £000 | 2002 £000 |
| Short term deposits maturing within three months | 13,494 | 13,261 |
| Other short term deposits | - | 1,000 |
| Other investments | 234 | 234 |
| | <u>13,728</u> | <u>14,495</u> |

| | | |
|--|---------------|---------------|
| 15 Creditors: amounts falling due within one year | Consolidated | |
| | 2003 £000 | 2002 £000 |
| Revenue creditors, accruals and receipts in advance | 14,408 | 12,802 |
| Capital creditors | 157 | 411 |
| Tax and social security | 1,388 | 1,181 |
| Current portion of long term secured loans | 1,222 | 1,905 |
| Obligations under finance leases | 315 | 267 |
| Bank overdraft | 1,389 | 212 |
| | <u>18,879</u> | <u>16,778</u> |

For details of security on bank loans and overdrafts see note 16

| | | |
|---|---------------|---------------|
| | University | |
| | 2003 £000 | 2002 £000 |
| Revenue creditors, accruals and receipts in advance | 14,113 | 12,521 |
| Capital creditors | 157 | 411 |
| Tax and social security | 1,388 | 1,181 |
| Amounts due to subsidiary undertakings | 899 | 206 |
| Current portion of long term secured loans | 1,222 | 1,905 |
| Obligations under finance leases | 144 | 100 |
| Bank overdraft | 1,389 | 212 |
| | <u>19,312</u> | <u>16,536</u> |

For details of security on bank loans and overdrafts see note 16

Notes to the financial statements (continued)

16 Creditors: amounts falling due after more than one year

| | Consolidated | |
|----------------------------------|---------------|---------------|
| | 2003 | 2002 |
| | £000 | £000 |
| Secured bank loans | 23,288 | 25,230 |
| Other secured loan | - | - |
| Obligations under finance leases | 2,006 | 1,381 |
| | <u>25,294</u> | <u>26,611</u> |

Debts due after more than one year can be analysed as follows:

| | Consolidated | |
|-----------------------------|---------------|---------------|
| | 2003 | 2002 |
| | £000 | £000 |
| Due 1 - 2 years | 1,297 | 1,323 |
| Due 2 - 5 years | 4,349 | 4,468 |
| Due after more than 5 years | 19,648 | 20,820 |
| | <u>25,294</u> | <u>26,611</u> |

| | University | |
|----------------------------------|---------------|---------------|
| | 2003 | 2002 |
| | £000 | £000 |
| Secured bank loans | 23,288 | 24,580 |
| Other secured loan | - | - |
| Obligations under finance leases | 796 | 650 |
| | <u>24,084</u> | <u>25,230</u> |

Debts due after more than one year can be analysed as follows:

| | University | |
|-----------------------------|---------------|---------------|
| | 2003 | 2002 |
| | £000 | £000 |
| Due 1 - 2 years | 1,112 | 1,145 |
| Due 2 - 5 years | 3,694 | 3,865 |
| Due after more than 5 years | 19,278 | 20,220 |
| | <u>24,084</u> | <u>25,230</u> |

Bank loans are secured over University land and buildings and are under various facilities expiring between 2013 and 2021.

17 Provisions for liabilities and charges

Consolidated and University

| | 31.7.02 | Provided | Utilised | 31.7.03 |
|------------------------|--------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 |
| Premises - Fifers Lane | 208 | - | (100) | 108 |
| Pensions - SSAP24 | 1,978 | 1,413 | - | 3,391 |
| | <u>2,186</u> | <u>1,413</u> | <u>(100)</u> | <u>3,499</u> |

Notes to the financial statements (continued)

18 Deferred capital grants

| | Consolidated and University | | |
|---|-----------------------------|---------------|---------------|
| | Funding Council £000 | Other £000 | Total £000 |
| At the beginning of the year | | | |
| Buildings | 16,760 | 27,180 | 43,940 |
| Equipment and other fixed tangible assets | 387 | 13,037 | 13,424 |
| | 17,147 | 40,217 | 57,364 |
| Grants receivable in the year | | | |
| Buildings | 5,712 | 2,616 | 8,328 |
| Equipment and other fixed tangible assets | - | 3,514 | 3,514 |
| | 5,712 | 6,130 | 11,842 |
| Released to income and expenditure | | | |
| Buildings | (1,026) | (1,568) | (2,594) |
| Equipment and other fixed tangible assets | (112) | (2,480) | (2,592) |
| | (1,138) | (4,048) | (5,186) |
| At the end of the year | | | |
| Buildings | 21,446 | 28,228 | 49,674 |
| Equipment and other fixed tangible assets | 275 | 14,071 | 14,346 |
| | <u>21,721</u> | <u>42,299</u> | <u>64,020</u> |

19 Specific endowments

| | Consolidated & University | |
|---|---------------------------|--------------|
| | 2003 £000 | 2002 £000 |
| At the beginning of the year | 3,558 | 3,716 |
| Additions | 833 | 923 |
| Appreciation/(Depreciation) of endowment asset investments | 77 | (334) |
| Income from endowment asset investments | 106 | 99 |
| Income from current asset investments credited to specific endowments | 71 | 82 |
| Transferred to income and expenditure account (note 5) | (805) | (928) |
| At the end of the year | <u>3,840</u> | <u>3,558</u> |
| Representing: | | |
| Lord Zuckerman Bequest | 945 | 911 |
| Sainsbury Endowment Fund | 454 | 447 |
| D T K Wong Fellowship | 377 | 340 |
| Lord Walston Scholarship | 295 | 287 |
| Music Performance Scholarships | 215 | 219 |
| Sainsbury Unit Fund | 102 | 167 |
| Other Funds | 1,452 | 1,187 |
| | <u>3,840</u> | <u>3,558</u> |

Notes to the financial statements (continued)

20 Movement on general reserves

| Income and expenditure account reserve | Consolidated | |
|---|---------------|---------------|
| | 2003 £000 | 2002 £000 |
| Balance at the beginning of the year | 31,448 | 28,976 |
| Surplus after tax | 1,670 | 2,472 |
| Balance at the end of the year | <u>33,118</u> | <u>31,448</u> |

| | University | |
|---------------------------------------|---------------|---------------|
| | 2003 £000 | 2002 £000 |
| Balance at the beginning of the year: | 31,128 | 28,530 |
| Surplus after tax | 1,603 | 2,598 |
| Balance at the end of the year | <u>32,731</u> | <u>31,128</u> |

| Analysis of Surplus | 2003 | 2002 |
|--|--------------|--------------|
| | £000 | £000 |
| Surplus for University | 1,603 | 2,598 |
| Surplus retained by subsidiary undertakings arising from consolidation | 67 | (126) |
| | <u>1,670</u> | <u>2,472</u> |

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 £50,363,000 (2002: £44,395,000)

21 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.

The University has an investment of £150,000 by way of an interest free loan in the ICENI Seedcorn Fund, a Limited Liability Partnership 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 Ltd, and HSBC Ltd. 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%.

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

| | |
|--------|---|
| 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 |

Notes to the financial statements (continued)

| | | | |
|-----------|--|--------------|--------------|
| 22 | Reconciliation of consolidated surplus to net cash inflow from operating activities | 2003 £000 | 2002 £000 |
| | Surplus before taxation | 1,678 | 2,483 |
| | Endowment income and interest receivable | (1,557) | (1,579) |
| | Deferred capital grant release | (5,186) | (3,468) |
| | Depreciation | 9,162 | 7,198 |
| | Interest payable | 2,194 | 2,363 |
| | Decrease in stocks | 3 | 7 |
| | (Increase)/decrease in debtors | (275) | 2,221 |
| | Increase/(decrease) in creditors | 1,813 | (704) |
| | Increase in provisions | 1,313 | 325 |
| | Net cash inflow from operating activities | <u>9,145</u> | <u>8,846</u> |

| | | | | | |
|-----------|---|----------------|----------------|--------------|----------------|
| 23 | Analysis of changes in consolidated net debt | | Other | | |
| | | 31 Jul 02 | Cash flows | non-cash | 31 Jul 03 |
| | | £000 | £000 | £000 | £000 |
| | Cash at bank and in hand | 7,510 | (1,975) | | 5,535 |
| | Overdrafts | (212) | (1,177) | | (1,389) |
| | | | <u>(3,152)</u> | | |
| | Debt due within 1 year | (2,172) | 328 | 307 | (1,537) |
| | Debt due after 1 year | (26,611) | 1,942 | (625) | (25,294) |
| | | | <u>2,270</u> | | |
| | Short term deposits | 13,261 | 233 | | 13,494 |
| | Short term deposits held as endowment assets | 1,165 | 167 | | 1,332 |
| | Other short term deposits | 1,000 | (1,000) | | - |
| | | | <u>(600)</u> | | |
| | | <u>(6,059)</u> | <u>(1,482)</u> | <u>(318)</u> | <u>(7,859)</u> |

| | | | |
|-----------|--|--------------|--------------|
| 24 | Obligations under finance leases | Consolidated | |
| | | 2003 | 2002 |
| | | £000 | £000 |
| | Balance at the beginning of the year: | 2,297 | 1,706 |
| | Obligations entered into during the year | 318 | 820 |
| | Capital repayments | (294) | (229) |
| | Balance at the end of the year | <u>2,321</u> | <u>2,297</u> |

| | | | |
|--|------------------------------|--------------|--------------|
| | | Consolidated | |
| | | 2003 | 2002 |
| | | £000 | £000 |
| | Capital obligations payable: | | |
| | Due within 1 year | 315 | 266 |
| | Due between 1 and 5 years | 1,504 | 1,241 |
| | Due after more than 5 years | 502 | 790 |
| | | <u>2,321</u> | <u>2,297</u> |

The finance leases are secured on the assets to which they relate.

| | | | |
|--|--|------------|------------|
| | | University | |
| | | 2003 | 2002 |
| | | £000 | £000 |
| | Balance at the beginning of the year: | 749 | - |
| | Obligations entered into during the year | 318 | 820 |
| | Capital repayments | (127) | (71) |
| | Balance at the end of the year | <u>940</u> | <u>749</u> |

Notes to the financial statements (continued)

24 Obligations under finance leases (continued)

| | University | |
|------------------------------|------------|------------|
| | 2003 | 2002 |
| | £000 | £000 |
| Capital obligations payable: | | |
| Due within 1 year | 144 | 99 |
| Due between 1 and 5 years | 665 | 460 |
| Due after more than 5 years | 131 | 190 |
| | <u>940</u> | <u>749</u> |

The finance leases are secured on the assets to which they relate.

25 Analysis of changes in financing during the year

| | Consolidated | |
|---|---------------|---------------|
| | 2003 | 2002 |
| | £000 | £000 |
| Loans: | | |
| Balance at the beginning of the year | 28,783 | 29,850 |
| Capital acquired in the year - loans | - | - |
| Capital acquired in the year - finance leases | 318 | 820 |
| Capital repayments in the year - loans | (1,976) | (1,658) |
| Capital repayments in the year - finance leases | (294) | (229) |
| Balance at the end of the year | <u>26,831</u> | <u>28,783</u> |

26 Capital commitments

At 31 July 2003 there were outstanding commitments for capital expenditure of £2,262,000 (2002 £3,620,000)

27 Subsidiary undertakings

The following companies, all registered in England and Wales, were subsidiary undertakings at 31 July 2003:

| 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 Ltd | Property management |
| UEA Accommodation 2 Ltd | Property management |
| SYS Consulting Ltd | Consultancy |
| Enventure Associates Ltd | Research and Consultancy |

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

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

The cost of investment of £6,293,000 (2002 £6,358,000) is in respect of East Anglian University Residences Limited, UEA Accommodation 1 Ltd and UEA Accommodation 2 Ltd.

Notes to the financial statements (continued)

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

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 being equal to 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 valuation 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 valuation 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 will be maintained at 14% of salaries. To fund this reduction of .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 is due at 31 March 2005 when the above rates will be reviewed.

The total pension cost for the University was £4,767,000 (2002 £4,375,000). The contribution rate payable by the University was 14% of pensionable salaries.

University of East Anglia Staff Superannuation Scheme

An actuarial valuation is being carried out as at 31 July 2003. Preliminary results reveal a deficit of assets (£45,733,000) over past service liabilities (£54,719,000) of £8,986,000.

For the purposes of the valuation, the pension scheme assets were taken into account at their market value, and the liabilities in respect of past service for active members included full allowance for projected salaries to retirement.

In determining the past service liabilities, the principal assumptions used were:

| | |
|---|---------|
| Future price inflation (and the level of future pension increases) | : 2.75% |
| Future salary growth | : 4.00% |
| Discount rate - pre retirement | : 6.75% |
| Discount rate - post retirement | : 4.75% |

Notes to the financial statements (continued)

28 Pensions (continued)

The cost of one years benefit accrual for active members was calculated as 22.5% 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 16.25% of salary. This cost was calculated using the Projected Unit Method and the above assumptions except the discount rate assumed post retirement was 5.75% p.a.

The University is currently considering how it wishes to address the deficit revealed by these preliminary results.

For the purposes of the accounts, and consistent with previous years, the University has adopted the expense and balance sheet figures required under SSAP24 using the estimated FRS17 results at 31 July 2002, adjusted for additional liabilities recognised during the year. The pension expense is set out below:

| | 31 July 03 000s |
|---------------------------|--------------------|
| Regular cost | 1,773 |
| Interest cost | 114 |
| Prior service cost | - |
| Variation in regular cost | <u>(474)</u> |
| Total expense | <u>1,413</u> |

The variation in regular cost was calculated by amortising the estimated surplus at 31 July 2002, together with the balance sheet provision and additional liabilities recognised during the year, over the average remaining future working lifetime of the active members (12 years) on a percentage of pensionable salary basis.

The pension provision at the start of the year was £1,978,000, representing the accumulated pension expense net of contributions received by the University. Allowing for the pension expense of £1,413,000 this increases the provision at 31 July 2003 to £3,391,000.

Additional disclosures required in respect of FRS 17

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. A new pension cost accounting standard, FRS17, must be used for the figures that will be shown in the accounts at 31 July 2005 and subsequent years. Under transitional arrangements the University is required to disclose the following information about the Scheme and the figures that would have been shown under FRS17 in the current income and expenditure account and balance sheet.

A full actuarial valuation was carried out at 31 July 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

| | 31 July 03 | 31 July 02 |
|---|------------|------------|
| Future price inflation (and the level of future pension increases) | : 2.75% | 2.25% p.a. |
| Future salary growth | : 4.00% | 3.50% p.a. |
| Discount rate | : 5.50% | 5.75% p.a. |

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

| | Long term rate of return expected at 31 July 03 | Value at 31 July 03 £000's | Long term rate of return expected at 31 July 02 | Value at 31 July 02 £000's |
|-------------------------------------|---|----------------------------------|---|----------------------------------|
| Equities | 6.75% | 32,826 | 6.75% | 30,696 |
| Bonds | 4.75% | 12,907 | 4.75% | 13,168 |
| Total market value of assets | | <u>45,733</u> | | <u>43,864</u> |
| Present value of scheme liabilities | | <u>(50,475)</u> | | <u>(40,247)</u> |
| (Deficit)/surplus in the scheme | | (4,742) | | 3,617 |
| related deferred tax liability | | - | | - |
| Net pension (liability)/asset | | <u>(4,742)</u> | | <u>3,617</u> |

Notes to the financial statements (continued)

28 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

| | Consolidated Net Assets £000's | Consolidated General Reserve £000's |
|--|--------------------------------------|---|
| As reported | 100,978 | 33,118 |
| Pension asset as per FRS17 | (4,742) | (4,742) |
| Release of SSAP 24 provision On FRS17 basis | <u>3,391</u> | <u>3,391</u> |
| | <u>99,627</u> | <u>31,767</u> |

Analysis of the amount charged to operating profit:-

| | At 31 July 03 £000's |
|------------------------|-------------------------|
| Service cost | 1,773 |
| Past service cost | <u>200</u> |
| total operating charge | <u>1,973</u> |

Analysis of the amount charged to the financing of provisions:-

| | At 31 July 03 £000's |
|--|-------------------------|
| Expected return on pension scheme assets | 2,671 |
| Interest on pension scheme liabilities | <u>(2,340)</u> |
| Net return | <u>331</u> |

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

| | At 31 July 03 £000's |
|--|-------------------------|
| Actual return less expected return on assets | 78 |
| Experience gains and losses on liabilities | (917) |
| Change in assumptions | <u>(5,878)</u> |
| Actuarial gain/(loss) recognised in STRGL | <u>(6,717)</u> |

Movement in surplus during the year:-

| | At 31 July 03 £000's |
|--|-------------------------|
| Surplus in scheme at beginning of year | 3,617 |
| Movement in year: | |
| Current service cost | (1,773) |
| Contributions | - |
| Past service costs | (200) |
| Net return on assets/(interest cost) | 331 |
| Actuarial gain/(loss) | <u>(6,717)</u> |
| Deficit in scheme at end of year | <u>(4,742)</u> |

History of experience gains and losses:-

Difference between the expected and actual returns on scheme assets

| | At 31 July 03 | At 31 July 02 |
|---|---------------|---------------|
| Amount (£000's) | 78 | (9,994) |
| Percentage of scheme assets | 0% | (-23%) |
| Experience gains and losses on scheme liabilities | | |
| Amount (£000's) | (917) | 517 |
| Percentage of scheme assets | (-2%) | 1% |
| Total amount recognised in STRGL | | |
| Amount (£000's) | (6,717) | (7,777) |
| Percentage of scheme assets | (-13%) | (-19%) |

Notes to the financial statements (continued)

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

| | 2003 £000 | 2002 £000 |
|------------------------------|--------------|--------------|
| Balance at beginning of year | 55 | 22 |
| Funding Council Access Funds | 420 | 313 |
| Interest earned | 9 | 12 |
| Disbursements to students | <u>(458)</u> | <u>(292)</u> |
| Balance at end of year | <u>26</u> | <u>55</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.

31 Sainsbury Laboratory

The Sainsbury Laboratory for molecular plant pathology was created on 12 March 1987 as 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 has been provided by the Gatsby Charitable Foundation. With effect from 1 April 1997 the joint venture was transferred to a company "the Sainsbury Laboratory", limited by guarantee and registered as a charity.

Staff working at the Laboratory are joint employees of the University of East Anglia and the company 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.

32 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, founded in 1998 and currently located in Norwich in accommodation leased by the University from the Dean and Chapter of Norwich Cathedral.

Staff of the Institute are employees of the University and their salary costs are fully reimbursed from external sources. 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.

33 Related Party Transactions

Bioscience Partnership Limited (BPL) is a joint venture between the University, Babraham Institute and the University of Newcastle, with the aim of developing intellectual property in the biotechnology field. UEA Enterprises Limited, a wholly owned subsidiary of the University, owns 30% of the issued share capital and Professor Alan Dawson, the Pro Vice Chancellor (Science), is a director of both companies. During the year BPL contracted with the University for services in connection with the potential exploitation of intellectual property. The sum involved amounted to £20,000. The sums due for these services were charged to the Income and Expenditure Account during the year. It is anticipated that the costs will be recovered through future royalty and other income.

Notes to the financial statements (continued)

34 Teacher Training Agency Bursaries

| | 2003 £000 | 2002 £000 |
|---|----------------|----------------|
| Funding brought forward | 92 | - |
| Training Bursary funds received during the year | 2,020 | 1,992 |
| Training Bursary payments during the year | <u>(1,977)</u> | <u>(1,900)</u> |
| Funding carried forward | <u>135</u> | <u>92</u> |

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

