

**University of East Anglia**

**Financial Statements**

**2003 - 2004**



**University of East Anglia**

**Norwich NR4 7TJ**

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**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 £0.6m during the year (2002-2003 £1.0).

Turnover increased by £10.0m to £117.6m (2002-2003 £107.6m).

Research grants and contracts increased from £23.2m in 2002-2003 to £24.8m in 2003-2004, continuing, albeit at a lower rate, the upward trend in volume seen over recent years. The contribution to University overheads rose only marginally from £3.4m to £3.6m, as a greater proportion of spend was on equipment on which the research councils do not pay overheads.

Income from Funding Council Grants grew by £4.7m from £35.4m to £40.1m. This increase is 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.

Tuition fee income, including income relating to teaching contracts, increased by £4.5m to £33.0m of which £9.5m related to full-time Home/EU students and £10.8m to full-time international students. Short course fee income rose by £0.4m to £2.0m and teaching contract income increased by £1.3m to £8.8m. These increases in income reflect additional funded numbers including the build up of our medical school and the increased number of overseas students.

Other income declined marginally to £19.1m. Within this, income from Residences, Catering and Conferences increased by £0.5m to £9.4m, donations fell by £0.5m and income from Other Services Rendered fell by £0.4m, which is offset by a corresponding fall in related expenditure.

Expenditure increased by £10.4m to £117.0m (2002-2003 £106.6m). Increased costs include £6.9m growth in staff costs. This reflects increased activity, pay awards and the salary and related costs arising from the first round of the HERA job evaluation exercise, including the increased pension cost of re-graded staff. Other operating cost increases reflect increased activity.

During the year we negotiated a loan of £100m at competitive rates with the Royal Bank of Scotland. £23.4m of this was used to redeem existing higher margin debt and a further £17.6m was drawn down during the year to fund the first phase of the new residence development and to contribute towards the cost of a new research building. An effect of refinancing was to reduce interest payable from £2.2m in 2002-2003 to £1.2m in 2003-2004 despite a higher debt level. As we draw down further instalments of the loan in 2004-2005 and later years, financing costs will rise.

## Reserves

Our reserves increased by £2m to £35.1m. The cash backed strategic reserve is £4.6m. Our financial strategy is that the level of strategic reserve normally should be no less than 5% of turnover. This gives us the ability to back investments of strategic importance. During the year we used part of this reserve to fund our capital programme. We anticipate that our investment programme will diminish this reserve over the next two 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 is adequate and because we have the relative security of long term debt facilities.

## Investment of Resources

The value of fixed tangible assets increased during the year by £25.4m to £139.9m, a significantly larger year on year increase than seen in previous years. This represents expenditure on the first phase of the new residences, a research building, the library extension and research equipment purchased out of external grants. Our operating income is insufficient to finance the capital costs, other than residences, in full. The 2002 spending review promised a significant increase in resources for higher education, part of which is coming to universities through capital funds specifically targeted at 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. Future expenditure levels will reflect our success in accumulating surpluses and in attracting external funding. Debt, in general, will be invested in schemes that are reasonably certain fully to cover the cost of the loan.

# Treasurer's report (continued)

## **Net debt**

Our net debt, being loans and finance leases less investments and cash, rose from £7.9m to £19.0m in 2003-2004 after the repayment of debt of £24.5m. Most of the increase in debt was invested in the construction of residences. Investments rose by £1.3m and cash by £3.2m.

## **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 growth to surplus, although we are already seeing the initial benefits of our restructuring programme, which saw the University adopt a four faculty structure. The challenge will be particularly difficult in the present financial year when pensions and ahead of inflation pay settlements have caused costs to rise faster than we can grow income. This is compounded by a decline in overseas student numbers from the level forecast. We anticipate a significant increase in net income arising from the introduction of variable fees in 2006. It remains our policy not to place a disproportionate reliance on these fees in our budgeting before this future income stream accrues to us.

Stuart Holmes

18 November 2004

# 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 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 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 2004 meeting, the Council carried out an assessment for the year ended 31<sup>st</sup> July 2004 by considering documentation from the senior management team, and taking account of events since 31 July 2003. No significant adverse events had occurred during the year in question. Two new risks were identified, both classed as medium in impact, and one risk was downgraded from high to medium impact.

# 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.

## 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 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.

PricewaterhouseCoopers LLP were appointed as the University's external auditors as from 1st August 2003 and they have indicated their willingness to continue as external auditors. A resolution will be passed by Council concerning the appointment of auditors.

Signed on behalf of Council

6 December 2004

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

We have audited the financial statements which comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheets, the cash flow statement and the related notes which have been prepared under the historical cost convention as modified by the revaluation of endowments 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, 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 institution in accordance with Section 235 of the Companies Act 1985 and for no other purpose. 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 Companies Act 1985 and 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 the Higher Education Funding Council for England. 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 institution. 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 the HEFCE Code of Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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



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

## Opinion

In our opinion:

- i the financial statements give a true and fair view of the state of the affairs of the University and the group as at 31 July 2004 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 Companies Act and 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 Memoranda with the Higher Education Funding Council for England dated August 2000 and October 2003.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Norwich

6 December 2004

# 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 new 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, all subsidiary undertakings and Joint Ventures for the year ended 31 July 2004. Intra-group sales and profits are eliminated fully on consolidation. The University does not exercise a dominant influence on the Union of UEA Students and therefore the accounts of that body are not consolidated. The University has taken the exemption under the Companies Act 1985 Section 230 not to disclose a separate University Income and Expenditure Account.

## 3 Recognition of income

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

Income receivable from the Funding Council is recognised in line with the latest estimates of grant receivable for the academic year.

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 purchase cost, together with any incidental costs of acquisition and attributable finance costs, or open market value at the 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.

# Statement of accounting policies (continued)

## 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 donated to the University or acquired with the aid of a specific grant or gift, they are capitalised and depreciated as 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 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.

Endowments have been accounted for in accordance with the new SORP, which represents a change in accounting policy. The 2003 comparatives have been restated on the same basis. The effect of the change is to decrease operating surplus by £1,404,000 (2003 £628,000). There is no net impact upon net funds.

## 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

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 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.

## Statement of accounting policies (continued)

### 15 Finance Costs

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

### 16 Debt Issue Costs

Borrowings are shown net of the associated issue costs, which are amortised to the income and expenditure account over the life of the borrowings.

### 17 Provisions

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

### 18 Deferred Taxation

An undiscounted provision is made for deferred taxation using the incremental liability method for timing differences between profits as stated in the financial statements and as computed for taxation purposes.

# Consolidated income and expenditure account for the year ended 31 July 2004

	Note	2004 £000	2003 £000 Restated
<b>Income</b>			
Funding council grants	1	40,072	35,445
Tuition fees and education contracts	2	33,035	28,556
Research grants and contracts	3	24,822	23,214
Other income	4	19,120	19,484
Endowment and investment income	5	628	929
		<hr/>	<hr/>
Total income: group and share of joint ventures		117,677	107,628
Less: share of joint ventures income		<u>(8)</u>	-
Group income		<hr/>	<hr/>
		117,669	107,628
<b>Expenditure</b>			
Staff costs	6	69,186	62,332
Other operating expenses	7	36,703	32,890
Depreciation	11	9,866	9,162
Interest payable	8	1,225	2,194
		<hr/>	<hr/>
Total expenditure		116,980	106,578
		<hr/>	<hr/>
Share of operating profit in joint ventures		-	-
		<hr/>	<hr/>
<b>Surplus before tax</b>		689	1,050
Taxation	10	(62)	(8)
<b>Surplus for the financial year</b>		<hr/>	<hr/>
		627	1,042
Transfer from accumulated income within specific endowments	22	1,404	628
		<hr/>	<hr/>
<b>Surplus for the year retained within general reserves</b>		<u>2,031</u>	<u>1,670</u>

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

The notes on pages 16 to 31 form part of these financial statements.

# Statement of consolidated total recognised gains and losses for the year ended 31 July 2004

	<i>Note</i>	2004 £000	2003 £000 Restated
Surplus for the year		627	1,042
Appreciation of endowment asset investments	22	55	77
New endowments	22	1,376	833
<b>Total recognised gains relating to the year</b>		<u>2,058</u>	<u>1,952</u>
Opening reserves and endowments		36,958	35,006
Total recognised gains relating to the year (as above)		2,058	1,952
<b>Closing reserves and endowments</b>		<u>39,016</u>	<u>36,958</u>

The notes on pages 16 to 31 form part of these financial statements.

# Consolidated balance sheet as at 31 July 2004

	Note	2004		2003
		£000	£000	£000
<b>Fixed assets</b>				
Tangible assets	11		139,881	114,458
Investments in joint ventures	12			
Share of gross assets		97		
Share of gross liabilities		(97)	-	
Other investments	13		364	393
			<u>140,245</u>	<u>114,851</u>
<b>Endowment assets</b>	15		<u>3,867</u>	<u>3,840</u>
<b>Current assets</b>				
Stocks : raw materials and consumables			404	447
Debtors	16		13,141	10,249
Investments	17		15,055	13,728
Cash at bank and in hand			8,246	5,535
			<u>36,846</u>	<u>29,959</u>
<b>Creditors : Amounts falling due within one year</b>	18		<u>(23,287)</u>	<u>(18,879)</u>
<b>Net current assets</b>			13,559	11,080
<b>Total assets less current liabilities</b>			<u>157,671</u>	<u>129,771</u>
<b>Creditors: Amounts falling due after more than one year</b>	19		(41,615)	(25,294)
<b>Provisions for liabilities and charges</b>	20		(7,359)	(3,499)
<b>Total net assets</b>			<u>108,697</u>	<u>100,978</u>
<b>Represented by:</b>				
<b>Deferred capital grants</b>	21		69,681	64,020
<b>Specific endowments</b>	22		3,867	3,840
<b>Reserves</b>				
General reserve	23		35,149	33,118
<b>Total funds</b>			<u>108,697</u>	<u>100,978</u>

The financial statements were approved by the Council on 6 December 2004 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 31 form part of these financial statements.

# University balance sheet as at 31 July 2004

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Tangible assets	11	133,786	107,856
Investments in subsidiaries	14	6,167	6,293
Other investments	13	275	304
		<u>140,228</u>	<u>114,453</u>
<b>Endowment assets</b>	15	<u>3,867</u>	<u>3,840</u>
<b>Current assets</b>			
Stocks : raw materials and consumables		404	447
Debtors	16	14,007	11,882
Investments	17	15,055	13,728
Cash at bank and in hand		4,573	3,136
		<u>34,039</u>	<u>29,193</u>
<b>Creditors : Amounts falling due within one year</b>	18	<u>(20,508)</u>	<u>(19,312)</u>
<b>Net current assets</b>		13,531	9,881
<b>Total assets less current liabilities</b>		<u>157,626</u>	<u>128,174</u>
<b>Creditors: Amounts falling due after more than one year</b>	19	(40,628)	(24,084)
<b>Provisions for liabilities and charges</b>	20	(7,317)	(3,499)
<b>Total net assets</b>		<u>109,681</u>	<u>100,591</u>
<b>Represented by:</b>			
<b>Deferred capital grants</b>	21	69,681	64,020
<b>Specific endowments</b>	22	3,867	3,840
<b>Reserves</b>			
General reserve	23	36,133	32,731
<b>Total funds</b>		<u>109,681</u>	<u>100,591</u>

The financial statements were approved by the Council on 6 December 2004 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 31 form part of these financial statements.



# Consolidated cash flow statement for the year ended 31 July 2004

	Note	2004		2003	
		£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>	24		6,942		9,145
<b>Returns on investments and servicing of finance</b>					
Interest and dividends received		628		929	
Bank interest paid		(838)		(2,194)	
interest element of finance leases		(87)		-	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(297)		(1,265)
<b>Taxation</b>			(8)		(8)
<b>Capital expenditure and financial investment</b>					
Payments to acquire fixed tangible assets		(30,192)		(21,991)	
Payments to acquire endowment assets		-		(38)	
Capital grants received		11,081		11,842	
Endowments received		1,376		833	
<b>Net cash outflow from capital expenditure and financial investment</b>			(17,735)		(9,354)
<b>Cash outflow before use of liquid resources and financing</b>			(11,098)		(1,482)
<b>Management of liquid resources</b>					
(Increase)/decrease in short term deposits		(1,327)		767	
decrease/(increase) in short term deposits held as endowment funds		28		(167)	
			(1,299)		600
<b>Financing</b>					
Capital element of finance lease rental payments		(338)		(294)	
Loans acquired		40,491		-	
Loans repaid		(24,510)		(1,976)	
			15,643		(2,270)
<b>Increase/(decrease) in cash</b>	25		<u>3,246</u>		<u>(3,152)</u>

## Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash in the period		3,246		(3,152)
Cash (inflow)/ outflow from (increase)/decrease in debt		(15,643)		2,270
Cash outflow/(inflow) from increase/(decrease) in liquid resources		1,299		(600)
Movement in net funds			(11,098)	(1,482)
Finance lease obligations entered into			-	(318)
Net debt at beginning of year			(7,859)	(6,059)
Net debt at end of year	25		<u>(18,957)</u>	<u>(7,859)</u>

The notes on pages 16 to 31 form part of these financial statements.

# Notes to the financial statements

	Consolidated	
	2004	2003
	£000	£000
<b>1 Funding council grants</b>		
Basic recurrent grant (HEFCE)	32,686	29,572
Basic recurrent grant (TTA)	2,101	1,365
Special grants (HEFCE)	4,112	3,366
Special grants (TTA)	44	4
Deferred capital grants released in the year (note 21)	1,129	1,138
	<u>40,072</u>	<u>35,445</u>
<b>2 Tuition fees and education contracts</b>		
Full-time students	9,505	8,912
Full-time students charged overseas fees	10,755	8,848
Part-time fees	1,644	1,449
Short course fees	2,007	1,637
Other Teaching Contracts	8,761	7,424
Research Training Support Grants	363	286
	<u>33,035</u>	<u>28,556</u>
<b>3 Research grants and contracts</b>		
Grants from research councils	10,938	10,926
Grants from UK charities	4,192	4,284
Other grants	9,692	8,004
	<u>24,822</u>	<u>23,214</u>
Included above are deferred capital grants released in the year of £2,989,000 (2003 £2,844,000).		
<b>4 Other income</b>		
Residences, catering and conferences	9,432	8,956
Other services rendered	1,197	1,565
Deferred capital grants released in the year - residences, catering and conferences	30	25
Deferred capital grants released in the year - other	1,272	1,178
Donations received	86	604
Other income	7,103	7,156
	<u>19,120</u>	<u>19,484</u>
<b>5 Endowment and investment income</b>		
		Restated
Income from specific endowment assets	146	177
Other investment income and interest receivable	482	752
	<u>628</u>	<u>929</u>
<b>6 Staff costs</b>		
Wages and salaries	55,662	52,307
Social security costs	4,422	3,791
Other pension costs	9,102	6,234
	<u>69,186</u>	<u>62,332</u>
Emoluments of the Vice-Chancellors		
August 2003 - July 2004	147	-
August 2002 - September 2002	-	22
September 2002 - July 2003	-	116
	<u>147</u>	<u>138</u>

The emoluments of the Vice-Chancellors exclude the University's related pension contributions. Pension contributions paid during 2004 were £19,500 (2003 £15,400). The above emoluments include benefits in kind of £6,000 (2003 £5,000)

## 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	
	2004	2003
£70,000 - £79,999	12	5
£80,000 - £89,999	4	4
£90,000 - £99,999	3	-
£100,000 - £109,999	1	-
£120,000 - £129,999	-	1
£130,000 - £139,999	1	1
£150,000 - £159,999	1	-
	<u>22</u>	<u>11</u>

Average number of staff employed by category:

Academic	511	481
Research and analogous	357	369
Secretarial and clerical	480	485
Technical	153	140
Other related	203	197
Admin, senior library and computing	266	238
Others	451	463
	<u>2,421</u>	<u>2,373</u>

### 7 Other operating expenses

	Consolidated	
	2004 £000	2003 £000
Residences, catering and conferences	3,097	3,108
Fellowships, scholarships and prizes	30	180
Library books and periodicals	1,726	1,482
Heat, light, water and power	1,172	1,422
Long-term maintenance	1,300	1,678
Grant to Union of UEA Students	407	386
Auditors' remuneration	49	44
Auditors' remuneration in respect of non-audit services : corporate advisory	197	18
Other expenses	28,725	24,572
	<u>36,703</u>	<u>32,890</u>

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

### 8 Interest payable

Bank interest	1,138	2,143
Finance lease interest	87	51
	<u>1,225</u>	<u>2,194</u>

### 9 Analysis of consolidated expenditure by activity (2004)

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £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	<u>69,186</u>	<u>9,866</u>	<u>36,703</u>	<u>1,225</u>	<u>116,980</u>

# Notes to the financial statements (continued)

## 9 Analysis of consolidated expenditure by activity continued (2003)

	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>

	Consolidated	
	2004 £000	2003 £000
The depreciation charge has been funded by:		
Deferred capital grants released (Note 21)	5,420	5,186
General income	4,446	3,976
	<u>9,866</u>	<u>9,162</u>

## 10 Taxation

	Consolidated	
	2004 £000	2003 £000
(a) Analysis of charge in year		
Corporation tax at 19% (2003 19%) on profit of subsidiaries		
Current	(20)	(8)
Deferred - current period	(18)	-
- prior period	(24)	-
	<u>(62)</u>	<u>(8)</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 relief.

	Consolidated	
	2004 £000	2003 £000
(b) Factors affecting taxation charges in year		
Surplus before taxation	<u>689</u>	<u>1,050</u>
UK corporation tax at 19% (2003 19%)	(130)	(200)
Effects of :		
Surpluses of University not subject to corporation tax	92	192
Capital allowances in excess of depreciation	18	-
	<u>(20)</u>	<u>(8)</u>

## Notes to the financial statements (continued)

### 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
<b>Cost or valuation</b>					
At the beginning of the year	117,962	7,407	39,402	9,259	174,030
Additions at cost	3,003	27,821	4,162	303	35,289
Transfers	818	(818)	-	-	-
Disposals	-	-	(2,522)	-	(2,522)
At the end of the year	<u>121,783</u>	<u>34,410</u>	<u>41,042</u>	<u>9,562</u>	<u>206,797</u>
<b>Depreciation</b>					
At the beginning of the year	30,363	-	29,209	-	59,572
Charge for the year	4,486	-	5,380	-	9,866
Eliminated on disposals	-	-	(2,522)	-	(2,522)
At the end of the year	<u>34,849</u>	<u>-</u>	<u>32,067</u>	<u>-</u>	<u>66,916</u>
<b>Net book value</b>					
At the end of the year	<u>86,934</u>	<u>34,410</u>	<u>8,975</u>	<u>9,562</u>	<u>139,881</u>
At the beginning of the year	<u>87,599</u>	<u>7,407</u>	<u>10,193</u>	<u>9,259</u>	<u>114,458</u>

Included in furniture and equipment are leased assets. The net book value of these assets at 31 July 2004 was £2,353,000 (2003 £2,581,000) and depreciation during the period on these assets was £228,000 (2003 £251,000).

# 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
<b>Cost or valuation</b>					
At the beginning of the year	111,862	7,407	36,895	9,259	165,423
Additions at cost	3,217	27,821	4,073	303	35,414
Transfers	818	(818)	-	-	-
Disposals	-	-	(2,516)	-	(2,516)
At the end of the year	<u>115,897</u>	<u>34,410</u>	<u>38,452</u>	<u>9,562</u>	<u>198,321</u>
<b>Depreciation</b>					
At the beginning of the year	29,166	-	28,401	-	57,567
Charge for the year	4,364	-	5,120	-	9,484
Eliminated on disposals	-	-	(2,516)	-	(2,516)
At the end of the year	<u>33,530</u>	<u>-</u>	<u>31,005</u>	<u>-</u>	<u>64,535</u>
<b>Net book value</b>					
At the end of the year	<u>82,367</u>	<u>34,410</u>	<u>7,447</u>	<u>9,562</u>	<u>133,786</u>
At the beginning of the year	<u>82,696</u>	<u>7,407</u>	<u>8,494</u>	<u>9,259</u>	<u>107,856</u>

The acquisition and construction of buildings with cost totalling £47,038,000 and net book value (after depreciation) £34,409,000 was funded, in whole or in part, by grants totalling £33,983,000 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 2004 was £924,000 (2003 £1,001,000) and depreciation during the period on these assets was £77,000 (2003 £89,000).

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

During the year the University has entered a joint venture with University of Essex establishing UC (Suffolk) Ltd, a company limited by guarantee.

## Notes to the financial statements (continued)

### 13 Other fixed asset investments

	Consolidated £000	University £000
Cost		
At 1.8.03 and 31.7.04	424	335
	<u>424</u>	<u>335</u>
Provision for diminution in value		
At 1.8.03	31	31
Provided in period	29	29
At 31.7.04	<u>60</u>	<u>60</u>
Net book value		
At 31.7.04	364	275
at 31.7.03	<u>393</u>	<u>304</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 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 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 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

### 14 Subsidiary undertakings

	University £000
Cost	
At 1.8.03 and 31.7.04	7,487
	<u>7,487</u>
Provision for diminution in value	
At 1.8.03	1,194
Provided in period	126
At 31.7.04	<u>1,320</u>
Net book value	
At 31.7.04	6,167
at 31.7.03	<u>6,293</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 2004:

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

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.

## 15 Endowment assets

	Consolidated & University	
	2004 £000	2003 £000
Balance at beginning of year	3,840	3,558
Movement in funds held within UEA short term deposits	(28)	205
Appreciation of endowment assets	55	77
	<u>3,867</u>	<u>3,840</u>
Consisting of:		
UK equities	1,139	1,060
Fixed interest securities	1,018	1,044
Other	406	404
Cash in hand and short term deposits	1,304	1,332
	<u>3,867</u>	<u>3,840</u>

## 16 Debtors

	Consolidated	
	2004 £000	2003 £000
Trade debtors, accrued income and advances and prepayments	<u>13,141</u>	<u>10,249</u>
	<u>13,141</u>	<u>10,249</u>
	University	
	2004 £000	2003 £000
Trade debtors, accrued income and advances and prepayments	10,837	9,773
Amounts due from subsidiary undertakings	3,170	2,109
	<u>14,007</u>	<u>11,882</u>



## Notes to the financial statements (continued)

<b>17</b>	<b>Current asset investments</b>	Consolidated & University	
		2004	2003
		£000	£000
	Short term deposits maturing within three months	14,821	13,494
	Other investments	<u>234</u>	<u>234</u>
		<u>15,055</u>	<u>13,728</u>

<b>18</b>	<b>Creditors: amounts falling due within one year</b>	Consolidated	
		2004	2003
		£000	£000
	Trade creditors, accruals and deferred income	14,794	14,400
	Capital creditors	5,254	157
	Corporation tax	20	8
	Other taxation and social security	1,506	1,388
	Obligations under finance leases	353	315
	Bank loans and overdrafts	<u>1,360</u>	<u>2,611</u>
		<u>23,287</u>	<u>18,879</u>

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

		University	
		2004	2003
		£000	£000
	Trade creditors, accruals and deferred income	14,418	14,113
	Capital creditors	284	157
	Other taxation and social security	1,506	1,388
	Amounts due to subsidiary undertakings	2,788	899
	Obligations under finance leases	152	144
	Bank loans and overdrafts	<u>1,360</u>	<u>2,611</u>
		<u>20,508</u>	<u>19,312</u>

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

<b>19</b>	<b>Creditors: amounts falling due after more than one year</b>	Consolidated	
		2004	2003
		£000	£000
	Bank loans	39,985	23,288
	Obligations under finance leases	<u>1,630</u>	<u>2,006</u>
		<u>41,615</u>	<u>25,294</u>

		University	
		2004	2003
		£000	£000
	Bank loans	39,985	23,288
	Obligations under finance leases	<u>643</u>	<u>796</u>
		<u>40,628</u>	<u>24,084</u>

Bank loans and overdrafts are repayable as follows :

		Consolidated and University	
		2004	2003
		£000	£000
	In one year or less	1,360	2,611
	Between one and two years	536	960
	Between two and five years	1,812	3,182
	In five year or more	<u>37,637</u>	<u>19,146</u>
		<u>41,345</u>	<u>25,899</u>

Bank loans are secured over University freehold land and buildings and are under a facility expiring in 2034.

## Notes to the financial statements (continued)

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

The net finance lease obligations are as follows :

	Consolidated	
	2004 £000	2003 £000
In one year or less	353	315
Between one and two years	374	337
Between two and five years	1,116	1,167
In five year or more	140	502
	<u>1,983</u>	<u>2,321</u>

  

	University	
	2004 £000	2003 £000
In one year or less	152	144
Between one and two years	162	153
Between two and five years	443	512
In five year or more	38	131
	<u>795</u>	<u>940</u>

### 20 Provisions for liabilities and charges

	1.8.03 £000	Consolidated		31.7.04 £000
		Provided £000	Utilised £000	
Onerous lease	108	-	(68)	40
Pension contributions	3,391	2,490	-	5,881
Pension transfers	-	1,396	-	1,396
Deferred tax	-	42	-	42
	<u>3,499</u>	<u>3,928</u>	<u>(68)</u>	<u>7,359</u>

  

	1.8.03 £000	University		31.7.04 £000
		Provided £000	Utilised £000	
Onerous lease	108	-	(68)	40
Pension contributions	3,391	2,490	-	5,881
Pension transfers	-	1,396	-	1,396
	<u>3,499</u>	<u>3,886</u>	<u>(68)</u>	<u>7,317</u>

The onerous lease provision relates to exceptional costs arising from the closure of student residences situated at Fifers Lane. This provision will be fully utilised in 2004/2005.

The pension contributions provision relates to the excess of contributions due to the scheme over contributions paid.

The pension transfers provision relates to sums due in respect of members transferring to other schemes.

The deferred tax provision is in respect of capital allowances.

## Notes to the financial statements (continued)

### 21 Deferred capital grants

	Consolidated and University		
	Funding Council £000	Other £000	Total £000
At the beginning of the year			
Buildings	21,446	28,228	49,674
Equipment and other fixed tangible assets	275	14,071	14,346
	21,721	42,299	64,020
Grants receivable in the year			
Buildings	7,003	2,657	9,660
Equipment and other fixed tangible assets	-	1,421	1,421
	7,003	4,078	11,081
Released to income and expenditure			
Buildings	(1,129)	(1,702)	(2,831)
Equipment and other fixed tangible assets	-	(2,589)	(2,589)
	(1,129)	(4,291)	(5,420)
At the end of the year			
Buildings	27,320	29,183	56,503
Equipment and other fixed tangible assets	275	12,903	13,178
	<u>27,595</u>	<u>42,086</u>	<u>69,681</u>

### 22 Specific endowments

	Consolidated & University	
	2004 £000	2003 £000
At the beginning of the year	3,840	3,558
Additions	1,376	833
Appreciation of endowment asset investments	55	77
Income	146	177
Expenditure for year	(1,550)	(805)
At the end of the year	<u>3,867</u>	<u>3,840</u>
Representing:		
Lord Zuckerman Bequest	972	945
Sainsbury Endowment Fund	471	454
D T K Wong Fellowship	347	377
Lord Walston Scholarship	312	295
Music Performance Scholarships	208	215
Other Funds	1,557	1,554
	<u>3,867</u>	<u>3,840</u>

# Notes to the financial statements (continued)

## 23 Movement on general reserves

Income and expenditure account reserve	Consolidated	
	2004 £000	2003 £000
Balance at the beginning of the year	33,118	31,448
Surplus after tax and transfer from specific endowments	2,031	1,670
Balance at the end of the year	<u>35,149</u>	<u>33,118</u>

  

	University	
	2004 £000	2003 £000
Balance at the beginning of the year:	32,731	31,128
Surplus after tax and transfer from specific endowments	3,402	1,603
Balance at the end of the year	<u>36,133</u>	<u>32,731</u>

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

	2004 £000	2003 £000
Surplus before taxation	689	1,678
Endowment income and interest receivable	(628)	(1,557)
Deferred capital grant release	(5,420)	(5,186)
Depreciation	9,866	9,162
Impairment of investments	29	-
Interest payable	1,225	2,194
Decrease in stocks	43	3
(Increase)/decrease in debtors	(2,892)	(275)
Increase/(decrease) in creditors	212	1,813
Increase in provisions	3,818	1,313
Net cash inflow from operating activities	<u>6,942</u>	<u>9,145</u>

## 25 Analysis of changes in consolidated net debt

	31 Jul 03 £000	Cash flows £000	Other non-cash £000	31 Jul 04 £000
Cash at bank and in hand	5,535	2,711		8,246
Overdrafts	(1,389)	535		(854)
		<u>3,246</u>		
Debt due within 1 year	(1,537)	1,054	(376)	(859)
Debt due after 1 year	(25,294)	(16,697)	376	(41,615)
		<u>(15,643)</u>		
Short term deposits	13,494	1,327		14,821
Short term deposits held as endowment assets	1,332	(28)		1,304
Other short term deposits	-	-		-
		<u>1,299</u>		
	<u>(7,859)</u>	<u>(11,098)</u>	<u>-</u>	<u>(18,957)</u>

# Notes to the financial statements (continued)

## 26 Capital commitments

At 31 July 2004 there were outstanding commitments for capital expenditure of £19,516,000 (2003 £2,262,000)

## 27 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 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 is due at 31 March 2005 when the above rates will be reviewed.

The total pension cost for the University was £5,124,000 (2003 £4,767,000). The contribution rate payable by the University was 14% of pensionable salaries.

### University of East Anglia Staff Superannuation Scheme

An actuarial valuation was carried out as at 31 July 2003. Preliminary results revealed 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.

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 following financial assumptions:

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)

## 27 Pensions (continued)

### Additional disclosures required in respect of FRS 17

In accordance with the transitional arrangements of FRS17, and on the basis prescribed by the standard, a qualified independent actuary carried out an actuarial valuation of the scheme's assets and liabilities as at 31 July 2004.

The major assumptions used by the actuary were (in nominal terms):

	31 July 04	31 July 03	31 July 02
Rate of increase in salaries	: 4.25%	4.00%	3.50%
Rate of increase of pensions in payment	: 3.00%	2.75%	2.25%
Rate of increase of pensions in deferment	: 3.00%	2.75%	2.25%
Discount rate	: 5.75%	5.50%	5.75%
Inflation assumption	: 3.00%	2.75%	2.25%

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

	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	At year end 31 July 02	At year end 31 July 02 £000's
Equities	6.50%	33,881	6.75%	32,826	6.75%	30,696
Bonds	4.50%	14,652	4.75%	12,907	4.75%	13,168
Total market value of assets		<u>48,533</u>		<u>45,733</u>		<u>43,864</u>
Actuarial value of liability		<u>(55,140)</u>		<u>(50,475)</u>		<u>(40,247)</u>
(Deficit)/surplus in the scheme		(6,607)		(4,742)		3,617
Related deferred tax liability		-		-		-
Net pension (liability)/asset		<u>(6,607)</u>		<u>(4,742)</u>		<u>3,617</u>

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 04 Consolidated Net Assets £000's	At 31 July 04 Consolidated General Reserve £000's	At 31 July 03 Consolidated Net Assets £000's	At 31 July 03 Consolidated General Reserve £000's
As reported	108,697	35,149	100,978	33,118
Net pension liability as per FRS17	(6,607)	(6,607)	(4,742)	(4,742)
Release of SSAP 24 provision	5,881	5,881	3,391	3,391
On FRS17 basis	<u>107,971</u>	<u>34,423</u>	<u>99,627</u>	<u>31,767</u>

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

	2004 £000's	2003 £000's
Service cost	(2,128)	(1,773)
Past service cost	-	(200)
Total operating charge	<u>(2,128)</u>	<u>(1,973)</u>

Analysis of net return on pension scheme:-

	2004 £000's	2003 £000's
Expected return on pension scheme assets	2,793	2,671
Interest on pension scheme liabilities	(2,803)	(2,340)
Net return	<u>(10)</u>	<u>331</u>

## Notes to the financial statements (continued)

### 27 Pensions (continued)

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

	2004 £000's	2003 £000's
Actual return less expected return on assets	1,157	78
Experience gains and losses on liabilities	(900)	(917)
Change in assumptions underlying the present value of the scheme liabilities	16	(5,878)
Net gain/(loss) recognised in STRGL	<u>273</u>	<u>(6,717)</u>
Movement in deficit during the year:-		
	2004 £000's	2003 £000's
(Deficit)/surplus in scheme at beginning of year	(4,742)	3,617
Movement in year:		
Current service cost	(2,128)	(1,773)
Contributions	-	-
Past service costs	-	(200)
Net return on assets/(interest cost)	(10)	331
Actuarial gain/(loss)	273	(6,717)
Deficit in scheme at end of year	<u>(6,607)</u>	<u>(4,742)</u>

Employer contributions will recommence at a rate of 14% of Pensionable Salaries per annum with effect from August 2004. It has been agreed with the trustees that contributions for the next three years will remain at that level.

History of experience gains and losses:-

	2004	2003	2002
Difference between the expected and actual returns on scheme assets			
Amount (£000's)	1,157	78	(9,994)
Percentage of scheme assets	2%	0%	(-23%)
Experience gains and losses on scheme liabilities			
Amount (£000's)	(900)	(917)	517
Percentage of scheme assets	(-2%)	(-2%)	1%
Total amount recognised in STRGL			
Amount (£000's)	273	(6,717)	(7,777)
Percentage of scheme liabilities	(-13%)	(-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 (£9,000). The University also contributed to the National Health Service Pension Scheme, a defined benefit pension scheme. Contributions in the year were £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.

## Notes to the financial statements (continued)

### 28 Queen's Building (continued)

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

	2004 £000	2003 £000
Balance at beginning of year	26	55
Funding Council Access Funds	501	420
Interest earned	8	9
Disbursements to students	<u>(483)</u>	<u>(458)</u>
Balance at end of year	<u>52</u>	<u>26</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.

### 30 Sainsbury Laboratory

The Sainsbury Laboratory for molecular plant pathology was created on 12 March 1987 jointly 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.

### 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, 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.



# Notes to the financial statements (continued)

## 32 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.

Bioscience Partnership Limited (BPL) jointly owned 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.

During the year BPL contracted with the University for services in connection with the potential exploitation of intellectual property. The sum involved amounted to £2,000. 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.

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

	2004 £000	2003 £000
Funding brought forward	135	92
Training Bursary funds received during the year	2,163	2,020
Training Bursary payments during the year	<u>(2,191)</u>	<u>(1,977)</u>
Funding carried forward	<u>107</u>	<u>135</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

	2004 £000	2003 £000
Funding brought forward	-	-
Funds received during the year	95	-
Payments during the year	<u>(95)</u>	<u>-</u>
Funding carried forward	<u>-</u>	<u>-</u>

## 35 Teacher Training Agency Minority Ethnic Recruitment

	2004 £000	2003 £000
Funding brought forward	-	-
Funds received during the year	7	-
Payments during the year	<u>(7)</u>	<u>-</u>
Funding carried forward	<u>-</u>	<u>-</u>