



FINANCIAL STATEMENTS
2005-2006



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Introduction

The consolidated Financial Statements cover the University and all its subsidiary undertakings (see note 30). The results for the year are summarised below:

	2005-06	2004-05
	£000	£000
Income	92,374	88,752
Surplus for the Year	3,244	791
FRS 17 charge/(credit)	(542)	314
Exceptional items	200	1,633
Surplus for the Year <i>before FRS 17 & exceptional items</i>	2,902	2,738
Capital Expenditure	23,674	8,467
Net Assets	77,573	52,923
<i>includes fixed assets at written down historic cost values</i>		

Income and Expenditure

A surplus for the year of £3.244m represents a solid achievement in the context of another difficult year. Income from overseas tuition fees fell by 10% and the University suffered holdback of teaching grant for home/EU students as a result of falling short of its contracted student numbers with the Funding Council. The outturn demonstrates that the University's senior management and budget managers are able to respond decisively and appropriately to the challenges of market volatility that now appear to be a permanent feature of the financial environment in higher education.

The prime financial statements include, for the first time, the full impact of Financial Reporting Standard 17 (FRS 17), the accounting standard that governs how the finances of pension funds are reflected in their parent entities. The prior year results have been restated to enable meaningful year-on-year comparisons to be made.

The impact of FRS 17 is somewhat peculiar, indeed even counter intuitive. In 2004-05 an FRS 17 adjustment of £314k was *knocked off* the University's then reported surplus, whereas in 2005-06 a credit of £542k has been *added*. This represents a year-on-year change of £856k making FRS 17 the single biggest factor behind the improvement in the reported surplus for the year. The peculiarities of FRS 17, and the impact it has had on these financial statements, is further discussed below.

If the impact of FRS 17 is ignored, along with material one-off exceptional charges, then there is a more modest increase in the surplus year-on-year. Nevertheless, this still represents a creditable result in difficult circumstances.

Total University income increased by 4%, below that achieved in recent years, reflecting lower growth of teaching and research activity.

Income from Funding Council grants rose by over 8%, principally through higher research grant (up 16%) and an increased grant for special initiatives, which is generally matched by additional expenditure. Teaching grant rose by a little over 1%, reflecting inflationary growth offset by the repayment of grant as a result of the University falling short of its contracted student numbers for home/EU students.

Income from academic fees fell by over 3%, principally through a 10% fall in overseas tuition fee income, the first time the University has experienced a cash decline in such income in recent years. More encouragingly growth of income from relatively new health related activity was impressive.

Income from research grants rose by a modest 2.8% to stand at £15.2m.

In the light of much reduced growth of income, staffing costs rose by an unsustainable 6.4% (or 7.9% in cash terms, discounting the distorting effect of FRS 17). Growth in staff costs that continue to exceed growth in income can only lead to a squeezing of operating margins and consequentially the availability of resource to develop the University for the future. This is an issue that is currently being addressed by a planned cost reduction exercise.

Capital Projects

Capital expenditure amounted to £23.7m (£8.5m in 04-05). This was substantially financed by external capital grants.

The University has three major projects in the course of construction during the year. The Southend campus (total cost £27.9m) is funded from external grant and is expected to be completed by December 2006. At Colchester work is well underway on a new Social Science Research Centre (total cost £6.9m), to house the University's Institute of Social and Economic Research and the UK Data Archive. Finally, a new 1,000-seat Lecture Hall was completed on schedule and on budget in September 2006 (total cost £6m).

The University has also assisted the Students' Union in completing the development of its set of student facilities, with a £1.2m refurbishment of the newly named Sub Zero facility. The University now has a high quality set of student social facilities on campus.

Cash Flow and Debt

Cash inflow from operating activities was £8.4m (£6.3m in 2004-05).

Cash balances, including short-term deposits and endowment cash, ended the year at a very healthy level of £15.7m, an increase over the year of £7.4m.

Total debt stood at £42.7m on 31 July. The University's two variable rate term loans are hedged by a number of interest rate swaps, ensuring that 70% of the interest rate payments are fixed, providing some protection against any future adverse movements in interest rates.

Investment Performance

The University's endowment funds are invested in Common Investment Funds and cash deposits. At 31 July endowment funds stood at £12m (£11m 31 July 2005) with 85% invested in UK equities, 11% in UK fixed interest funds and the remaining 4% in cash.

Long-term returns remain ahead of benchmark, with the University's equity funds

returning 6.3% per year on average over each of the last 5 years, compared to 5.2% per year for the FTSE All-Share index. Similarly, fixed interest funds returned 5.8% per year over the last 5 years compared to the All Stock index of 5.6%.

Over the last 12 months equity funds returned 17.3% (19.7% for the FTSE All Share index) and fixed interest funds returned 1.1% (1.4% for the All Stock index).

Pension Funds

As previously mentioned these financial statements now reflect the accounting standard on retirement benefits, FRS 17. This has two main effects. Firstly, the pension fund deficits are now reflected on the University's balance sheet. Secondly, FRS 17 measures the recurrent cost of supporting these pension schemes in a different way from the previous accounting standards.

FRS 17 disclosures only apply to the University's two support staff pension schemes. They do not apply to the largest fund to which University staff belong, the Universities Superannuation Scheme (USS). As a pooled scheme, the University's share of USS assets and liabilities cannot be separately identified. The result is that FRS 17 now gives a more inconsistent and partial picture of the University's financial relationship with its pension schemes than existed under previous accounting standards.

The cost of supporting the two support staff pension schemes has been assessed, using FRS 17 methodology, as being £542k *below* the amount the University has actually contributed to these schemes over the year. It is the FRS 17 charge that features in our Income and Expenditure Account, not the amount the University has paid in to the schemes. This reflects a clash of valuation methods, with the accountant measuring the cost one way, at a snap shot balance sheet date, while the actuary – who determines the rate of employer contribution - measures it another, looking at the whole life financial health of the fund. We might conclude that accounting for pensions in the UK, exacerbated by the different accounting treatments applied to the different type of pension funds in the HE sector, has become a

major hindrance to understanding the real drivers of financial trends and how the University's financial performance compares to its peers.

The University's two support staff schemes have, between them, a combined deficit, of £14.3m as at 31 July 2006 (£14.6m at 31 July 2005), as measured by FRS 17.

Future Outlook

The advent of the variable fee system for new home/EU entrants in October 2006 does not appear to have had any significant impact on student recruitment, although the University remains sensitive to the new environment and has invested significantly in a financial support package for those who might be deterred from applying to Essex on the grounds of financial hardship. However, with the in-built impact of last year's holdback of teaching grant, along with additional funded numbers for the new year, stretching recruitment targets, the University will suffer holdback of teaching grant once again in the 2006-07 financial year. However, this had been anticipated in the budget.

Overseas student recruitment has been in decline since it peaked in 2002-03. It is pleasing to say that initiatives such as the Insearch Partnership, and other action instigated by the University, have helped the University exceed its overseas recruitment targets in 2006-07. The University recently signed an agreement with Hobsons to improve its customer relations management of overseas taught postgraduate enquiries, with the ultimate aim of improving conversion rates. Such initiatives demonstrate that the University is responsive to changing market conditions in the face of increasing competition.

The above inflation rise in staff costs during 2005-06 was highlighted above. This trend is set to continue with the implementation of the National Framework Agreement on 1 August 2006, along with an above inflation pay settlement, following the industrial dispute between the employer's body and the national trades unions.

The University's second round of staff cost reductions will gradually begin to flow through

towards the end of 2006-07, with a full year benefit in 2007-08, partly offsetting these increases and strategically timed to minimise any adverse impact on the University's RAE2008 submission. 2007-08 will also see the second cohort of home/EU undergraduates enter higher education under the new variable fee regime, further increasing the University's income. As a result, an adequate balance of income and expenditure will be achieved in future years. However, to see so much of the hard fought new income streams being absorbed into pay inflation, at the expense of enhancing the quality of the student experience, is disappointing. If action is not taken to improve the balance of income and expenditure then the University will be starved of funds to continue to develop the University and remain competitive. For this reason the University has embarked upon a reappraisal of its financial strategy, expected to be completed by the end of the 2006-07 year.

Future year surpluses will also be significantly boosted by the proceeds of one-off asset sales. The disposal of Avon Way, an off-campus residential site, is nearing completion and will benefit the 2006-07 financial year. The University is also marketing surplus land which is expected to yield a significant amount, with the proceeds earmarked to pump prime the Research Park project, which finally achieved outline planning permission in June 2006.

Two new major capital projects will shortly get underway - a new building to house the rapidly growing Health and Human Sciences Department and a substantial extension to the Psychology Department. The University is also investing £3m in scientific equipment for a number of departments.

From August 2006 the University entered into partnership with the Colchester Institute to validate its degrees. We hope this will be the start of a mutually beneficial relationship.

The University's partnership with South East Essex College continues to flourish, enhanced by the construction of a new University building on the joint Southend campus. This will provide new capacity for the University to grow student numbers. Plans are being implemented to establish 'East15@Southend' providing the oversubscribed and

geographically constrained Loughton campus with expansion opportunities.

Significant progress is being made in establishing University Campus Suffolk, in partnership with the University of East Anglia. This will open its doors to new students from 2007-08.

The forthcoming Research Assessment Exercise 2008 looms large, with a census date of October 2007. The outcome of this national exercise will have an important impact on the University's reputation and its finances.

It will be obvious, from the commentary above, that the University is not in danger of stagnating. Indeed, one of the major challenges facing the University is managing a large number of complex projects, along with the risk they carry. This puts a premium on leadership and management skills.

Conclusion

These Financial Statements record yet another successful year for the University. This is especially satisfying given the financial pressures the University, and the higher education sector more generally, have been under in recent years.

It is no exaggeration to attribute a large part of the academic and financial success of the University to the vision and leadership shown by its Vice-Chancellor, Professor Sir Ivor Crewe, who has decided to step down in September 2007. His stewardship over the University these last 12 years has been impressive. University income has doubled and net assets have increased nearly three fold, reflecting both growth of activity and the level of investment in the physical estate. But these crude numbers only tell part of the story. The enhancement of the University's academic reputation through successive improvements in the RAE and the sheer range and diversity of activity that now comprises the University have underpinned the University's financial strength and are solid testament to the outstanding contribution of Professor Sir Ivor Crewe.

Corporate Governance and Accountability Arrangements

The University is a body incorporated by Royal Charter. The University's governing body is Council, which is committed to achieving high standards of corporate governance, in line with accepted best practice. Accordingly Council believes it is appropriate to report on how the University has applied the principles set out in the Combined Code issued by the Financial Reporting Council on 23 July 2003.

Recent Developments in Corporate Governance

In November 2004 the Committee of University Chairmen (CUC) issued a guide for Members of Higher Education Governing Bodies in the UK, which incorporates a Governance Code of Practice. This code is voluntary and is intended to reflect good practice in a sector that comprises many diverse institutions. Institutions should state they have regard to the code, and where an institution's practices are not consistent with the code, an explanation should be published in the corporate governance statement in the annual audited financial statements.

In line with the CUC guidance the University's Council is committed to keeping its effectiveness under regular review. The last review was conducted during 2005 by a working party of Council members. The recommendations made were adopted by Council and will be fully implemented by 2007 subject to Privy Council approval. Until this time the University will not be compliant with one element of the code which relates to the size of the governing body. Currently Council has 34 members, with two vacancies compared to the recommended maximum of 25.

As the University's financial affairs have grown ever more complex the role of the Director of Finance has evolved. Alongside that there has been an enhancement in the vital role that audit committees play in the good governance of large organisations and the University is no exception. To reflect these changes, from 1 August 2006, the formal title of Treasurer has been conferred on the chair of the University's Audit and Risk Management Committee, properly reflecting its enhanced status. Formal

financial reporting to the governing body will reside with the Director of Finance.

The University Council

The University's Council comprises ex officio and co-opted external members, students, ex officio employees, employees elected by Senate and members appointed by Court. The roles of Chancellor and Pro-Chancellors (including the Chair of Council) are separated from the role of the University's chief executive, the Vice-Chancellor.

The Council of the University has adopted a Statement of Primary Responsibilities which is published on the University website. The statement sets out the Council's responsibilities in respect of powers of appointment and employment, financial and legal powers, planning, monitoring, control and student welfare.

The Council has the following committees: Audit and Risk Management, Finance and Strategy, Nominations, Remuneration and Health and Safety. All of these committees are formally constituted with published terms of reference. With the exception of the Health and Safety Committee, the chair of each committee is a lay member of Council. The disclosures in relation to these committees follow those in respect of Council itself.

The Council met four times during the year. Its members during the year ended 31 July 2006 were:

Ex Officio Members

Chancellor	Lord Phillips of Sudbury, OBE
Pro-Chancellors	Mr Tim Melville-Ross <i>(Chair of Council)</i> Ms Auriol Stevens Mr Christopher Pertwee <i>(Vice-Chair of Council)</i>
Vice-Chancellor	Professor Sir Ivor Crewe
Treasurer	Mr Derek Lewis
Deputy Vice-Chancellor and Pro-Vice-Chancellor	Professor Rob Massara
Pro-Vice-Chancellors	Professor Andy Downton Professor Michael Sherer Professor Nigel South Professor Christine Temple

Appointed Members

(3 places)

Mr Allan Blundell
Mr Peter Rainbird

Co-opted Members

(A maximum of 10 places)

Ms Nicola Colston
Dr Tony Elston
Mrs Julie Garbutt
Mr Bill Gore
Mr Michael Hughes
Sir Robin Mountfield
Lord Newton
Mr Richard Nichol
Ms Rosy Stamp

Elected members from Senate

(10 places)

Ms Fernne Brennan
Dr Leon Burnett
Professor Joan Busfield
Professor Martin Henson
Professor Jules Lubbock
Dr Aulay Mackenzie
Professor Jackie Masterson
Professor Frances Millard
Professor Jules Pretty, OBE
Professor Maurice Sunkin

Students' Union Members

President of Students' Union	Ms Siobhan Kinealy
Vice-President (Finance & Services) of Students' Union	Mr Gareth Barrett

Observer

South East Essex College	Ms Jan Hodges
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Of the 34 members of Council a minority are employees of the University: the Vice-Chancellor, Pro-Vice-Chancellors and the members elected by Senate.

The Committees of Council

In respect of its development, strategic management and financial responsibilities the Council receives recommendations and advice from the Finance and Strategy Committee. The Committee met six times during the year.

The Nominations Committee makes recommendations for the appointment or re-appointment of members of Council, its committees and Court. The Committee met twice during the year.

The Remuneration Committee determines the annual remuneration of the most senior staff, including the Vice-Chancellor. Employee members have no involvement in determining their own salaries. The Committee met once during the year.

The Health and Safety Committee reports to the Council at least annually on health and safety matters including compliance with government legislation and regulations. The Committee met twice during the year.

The Audit and Risk Management Committee comprises solely external members, three of whom are lay members of Council, and has no executive responsibility. The Committee has members with recent relevant financial experience in line with HEFCE guidance. The Audit and Risk Management Committee relies on the work of internal and external audit, on information provided by management and on the response of management to the questions it raises. The Committee met three times in the year.

The responsibilities of the Audit and Risk Management Committee include:

- reporting to Council annually on the effectiveness of the internal control system and the pursuit of value for money, together with an opinion on risk management.
- advising on the appointment of the internal auditor and approval of the internal audit plan.
- receipt of both an annual report from internal audit, which includes an opinion of the effectiveness of the University's system of internal control, and reports on each assignment including recommendations.

- advising the Council as necessary on the appointment of external auditors, to receive their reports and review their performance and effectiveness.

Internal Audit are responsible for providing an objective and independent appraisal of all the University's activities. The internal audit work programme is risk-based and is updated to take account of changes in the University's risk profile. Progress made on recommendations by the University are monitored by Internal Audit and reported to the Audit and Risk Management Committee.

The University Senate

The Senate is the highest academic authority of the University. It is responsible for the promotion of academic work in both teaching and research, for the regulation of educational arrangements and the maintenance of discipline. It receives quality audit reports from both the Quality Assurance Agency and in-house departmental reviews. Currently it has 10 representatives on Council each appointed for two years, which will reduce to six representatives in 2007, subject to Privy Council approval.

During the year a review of the effectiveness of Senate was conducted and a number of recommendations to improve its operation were adopted. Some of the recommendations require Privy Council approval and it is planned that this be sought in 2007.

The University Court

The University Court is a formal body established under the Charter and Statutes whose main function is to provide a forum for the official receipt of the Annual Report and Financial Statements. It is also responsible for the formal appointment of the Chancellor and Pro-Chancellors. The Court has three lay representatives on the University Council, who serve for a period of three years.

The role of Court was considered as part of the review of the effectiveness of Council in 2005 and a number of recommendations were made, principally to transfer certain powers of the Court to Council. These changes require Privy Council approval and subject to this being received the recommendations will be implemented in 2007.

Responsibilities of the Council

The Council is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Council is responsible for ensuring proper accounting records are kept. These should disclose with reasonable accuracy at any time the financial position of the University and its subsidiary undertakings and enable Financial Statements to be prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. Within the terms and conditions of a Financial Memorandum agreed between the HEFCE and the Council of the University, the Council, through its designated office holder, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and its subsidiary undertakings and the surplus or deficit and cash flows for the year.

In the preparation of the Financial Statements, the Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the University 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 its subsidiary undertakings and to prevent and detect fraud;
- secure the economical, efficient and effective management of the resources and expenditure of the University and its subsidiary undertakings;
- ensure that processes operate within the University to identify, evaluate and manage significant risks and to review the effectiveness of the system of internal control.

The key elements of the University's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and authority delegated to, heads of academic departments and administrative sections;
- a short and medium term planning process, supplemented by detailed annual income, expenditure and capital budgets;
- regular reviews of academic performance and financial results involving variance reporting and updates of financial outturns;
- defined and formalised requirements for the approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to appropriate levels set by Council;
- Financial Regulations, including financial controls and procedures, approved by the Audit and Risk Management Committee;
- a professional internal audit team whose annual programme is approved by the Audit and Risk Management Committee.
- a Risk Register which contains weightings (of likelihood and impact) linked to the Strategic Plan which also informs the internal audit planning process.

Any system of internal control or risk management is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

We have audited the Financial Statements on pages 11 to 34, which have been prepared under the historical cost convention as modified by the revaluation of certain assets and the accounting policies set out on pages 11 to 12.

This report is made solely to the University Council in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to them in the auditors' 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 or its 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 8, the Council is responsible for the preparation of the Financial Statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standard on Auditing (UK & Ireland).

We report to you our opinion as to whether:

1. The Financial Statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and with the University's Charter of Incorporation.
2. Income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received.

3. Income has been applied in accordance with the University's Statutes and, as appropriate, with the Financial Memoranda with the Higher Education Funding Council for England dated 1 October 2003.

We also report if, in our opinion, the Financial Review is not consistent with the Financial Statements, if the University has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding remuneration of higher paid staff and transactions with the University is not disclosed.

We read the Financial Review, corporate governance and other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. 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 circumstances of the University and its subsidiary undertakings and are 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:

1. The Financial Statements give a true and fair view of the state of the affairs of the University and the group at 31 July 2006, and of the group's income and expenditure and cash flows of the University for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and with the University's Charter of Incorporation.
2. Income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University, have been applied for the purposes for which they were received.
3. Income has been applied in accordance with the statutes governing the University and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated 1 October 2003.

SCRUTTON BLAND
Accountants and Registered Auditors

Sir Isaac's Walk
Colchester
CO1 1JL

18 December 2006

Accounting Convention

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investments and endowment asset investments, and in accordance with both the Statement of Recommended Practice - Accounting for Further and Higher Education (SoRP) and applicable accounting standards and Financial Reporting Standards.

Basis of Consolidation

The Financial Statements comprise the consolidated results of the University of Essex and its subsidiaries (Note 30) and the University's share of the results and reserves of its joint venture company. These subsidiaries undertake activities which, for legal and commercial reasons, are more appropriately operated through limited companies. Their activities include conferences and services for a wide variety of commercial organisations and individuals, the rental of student residences, the acquisition, protection and licensing of intellectual property from the University and the holding of land pending its development as a Research Park. The subsidiary companies transfer all taxable profits to the University through Gift Aid.

The consolidated Financial Statements do not include those of the University of Essex Students' Union. The grant to the Students' Union is disclosed in Note 8, and the Union's financial results are summarised in Note 32.

Prior Year Adjustment

The University has adopted FRS 17 Retirement Benefits in the Financial Statements. The full adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of adopting FRS 17 are given in Note 33.

Recognition of Income

Income from HEFCE recurrent grants is included in full in each year. Grants paid over by the University to its partner colleges are shown net. Income from HEFCE revenue grants for specific initiatives are included to the extent that expenditure is incurred during

the year. Grants received in respect of expenditure on fixed assets are treated as deferred capital grants and released to the income and expenditure account in line with depreciation, over the life of the asset.

Income from research grants and contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs. All other income from endowments, short-term deposits and other investments is credited to the Income and Expenditure Account on a receivable basis.

Provisions

Provisions are recognised when the University has a present legal or constructive obligation as result of a past event when it is probable that a transfer of economic benefit will be incurred, and this transfer can be reliably estimated.

Pension Schemes

The University has three principal pension schemes for employees. These are the Universities Superannuation Scheme (USS) for academic and related staff, and the Local Government Pension Scheme (LGPS) and the University of Essex Pension Scheme (UEPS) for other staff. The assets of the schemes are held in separate trustee-administered funds. All three schemes are defined benefit schemes and are contracted out of the State Second Pension (SP2).

The University is unable to identify its share of the underlying assets and liabilities of the USS scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The assets of the LGPS and UEPS are measured using closing market values. LGPS and UEPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the

present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Provision has been made to meet a past service shortfall of members of the Local Government Pension Scheme who took early retirement. The payments made to these members are largely set against this provision.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rate of exchange. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Investments

Fixed asset investments and endowment asset investments are included in the Balance Sheet at market value unless the market value cannot be readily ascertained and the yields are unquantifiable and of a long-term nature, such as seedcorn funds. In such instances, it is considered prudent to charge the cost of the investment to the revenue account in the year of its acquisition. Increases or decreases in value arising on the revaluation of fixed asset investments are carried to the revaluation reserve. Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income and Expenditure Account to the extent that it is not covered by a revaluation surplus. The profit or loss on the disposal of an asset is accounted for in the year in which the disposal occurs as the difference between the net sale proceeds and the net carrying amount, whether carried at historical cost or valuation.

Investments in equities and gilts are generally treated as fixed asset investments whilst investments in the form of term deposits with

banks and other financial institutions are shown as current asset investments.

Current asset investments are included at the lower of cost and net realisable value.

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 repayable on demand if they are, in practice, available within 24 hours without penalty. No investments, however liquid, are included in cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and other investments held as part of the University's treasury management activities. They exclude such assets held as endowment asset investments.

Maintenance of Premises

The University has a five-year rolling maintenance plan which is reviewed on an annual basis. The cost of all maintenance is charged to the Income and Expenditure Account as incurred.

Taxation Status

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 Taxes Act 1988.

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

Land and Buildings

Land and buildings are stated at cost. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life.

Buildings are generally depreciated over their expected useful lives of 50 years, except for certain minor works for which a 20-year depreciation policy had been adopted.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

Equipment

Equipment, including computer hardware and software, costing less than £25,000 per individual item or group of related items which together comprise one operational unit, is written off in the year of acquisition.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

- motor vehicles and other general equipment - between five and ten years dependent upon the expected useful life;
- computer equipment - three years;
- equipment acquired for specific research projects - project life (generally three years).

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).

Stocks

The stocks are stores for general maintenance, catering supplies of food and liquor, computers and computer spares, science workshop stocks held centrally for the science departments, stationery and consumables. They are valued at the lower of cost or net realisable value.

Financial Instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either

financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Consolidated Income and Expenditure Account

For the year ended 31 July 2006

	Note	2005-06 £'000	2004-05 £'000 As restated
Income			
Funding council grants	1	29,996	27,670
Tuition fees and educational contracts	2	26,028	26,964
Research grants and contracts	3	15,203	14,782
Other income	4	20,893	18,794
Endowment and investment income	5	1,153	899
		93,273	89,109
Less: share of income in joint ventures		(899)	(357)
Total income		92,374	88,752
Expenditure			
Staff costs	7	58,147	54,625
Other operating expenses	8	25,458	27,843
Depreciation	10	3,030	2,674
Interest payable	9	2,480	2,667
Total expenditure	10	89,115	87,809
Surplus on continuing operations after depreciation of tangible fixed assets at cost and before tax		3,259	943
Share of operating loss in joint ventures	30	(15)	(152)
Surplus on continuing operations after depreciation of tangible fixed assets and joint ventures losses and after tax		3,244	791
The surplus for the year has been allocated as follows:			
Transfer of (deficit)/surplus to endowment funds		(5)	22
Transfer of surplus to general reserve	6	3,249	769
Surplus for the year		3,244	791

The Income and Expenditure Account is in respect of continuing activities.

The results for the year ended 31 July 2005 have been restated to reflect the full implementation of FRS 17 (see note 33).

Balance Sheet

As at 31 July 2006

	Note	Consolidated		University	
		2005-06 £'000	2004-05 £'000 As restated	2005-06 £'000	2004-05 £'000 As restated
Fixed assets					
Tangible fixed assets	11	117,366	96,724	94,012	72,914
Investments	12	309	474	15,392	15,557
Investment in joint ventures					
Share of gross assets		819	98	0	0
Share of gross liabilities		(1,218)	(482)	0	0
		117,276	96,814	109,404	88,471
Endowment assets	13	11,970	10,952	11,970	10,952
Current assets					
Stocks and stores		471	532	456	509
Debtors	14	6,181	9,458	6,318	9,488
Debtors - amounts due after more than one year	14	741	573	22,389	22,352
Investments		12,364	0	12,364	0
Cash at bank and in hand		2,790	7,385	1,966	6,767
		22,547	17,948	43,493	39,116
Creditors - amounts falling due within one year	15	(18,536)	(14,360)	(18,281)	(14,168)
Net current assets		4,011	3,588	25,212	24,948
Total assets less current liabilities		133,257	111,354	146,586	124,371
Creditors - amounts falling due after more than one year	16	(40,622)	(42,652)	(40,622)	(42,652)
Provisions for liabilities and charges	17	(805)	(1,212)	(805)	(1,212)
Net assets excluding pension liability		91,830	67,490	105,159	80,507
Pension liability	29	(14,257)	(14,567)	(14,257)	(14,567)
Net assets including pension liability		77,573	52,923	90,902	65,940
Deferred capital grants and gifts	18	43,638	23,028	43,638	23,028
Endowments					
Specific	19	2,522	10,658	2,522	10,658
General	19	9,448	294	9,448	294
		11,970	10,952	11,970	10,952
Reserves					
Income and expenditure account excluding pension reserve	21	36,108	33,356	49,437	46,373
Pension reserve	29	(14,257)	(14,567)	(14,257)	(14,567)
Income and expenditure account including pension reserve	21	21,851	18,789	35,180	31,806
Revaluation reserve	20	114	154	114	154
		21,965	18,943	35,294	31,960
Total Funds		77,573	52,923	90,902	65,940

The Financial Statements on pages 11 to 34 were approved by the Council of the University on 18 December 2006 and signed by:

PROFESSOR SIR I. CREWE
Vice-Chancellor

T MELVILLE-ROSS
Chair of Council

A. CONNOLLY
Director of Finance

Consolidated Cash Flow Statement

For the year ended 31 July 2006

	Note	2005-06 £'000	2004-05 £'000
Net cash inflow from operating activities	23	8,373	6,331
Returns on investments and servicing of finance	24	(1,303)	(1,706)
Capital expenditure and financial investment	25	2,328	(3,284)
Management of liquid resources	26	(11,963)	7,110
Financing	27	(2,030)	(1,292)
(Decrease)/increase in cash in the year	28	(4,595)	7,159
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year		(4,595)	7,159
Cash outflow/(inflow) from management of liquid resources	26	11,963	(7,110)
Cash inflow from new secured loan	27	0	(19,000)
Changes in net debt from cash flows	27	2,030	20,292
Movement in net debt in the period		9,398	1,341
Net debt at 1 August 2005	28	(36,377)	(37,718)
Net debt at 31 July 2006	28	(26,979)	(36,377)

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2006

	Note	2005-06 £'000	2004-05 £'000 As restated
Surplus on continuing operations after depreciation of assets at cost and tax		3,244	791
Appreciation of investments	12	5	61
Appreciation of endowment asset investments	19	1,019	1,596
New endowments	19	4	21
Actuarial loss in respect of pension schemes	29	(232)	(512)
Total recognised gains relating to the year		4,040	1,957
Prior year adjustment in respect of FRS 17	33	(14,567)	0
Total recognised (losses) / gains since last report		(10,527)	1,957

Reconciliation

Opening reserves and endowments as previously stated	44,462
Opening pension reserve (prior year adjustment)	(14,567)
Recognised gains relating to the year	4,040
Closing reserves and endowments	33,935

Notes to the Financial Statements

For the year ended 31 July 2006

	2005-06 £'000	2004-05 £'000
1. Funding council grants		
Recurrent (teaching)	16,969	16,762
Recurrent (research)	9,752	8,418
Recurrent (other)	11	10
Special initiatives	2,460	1,827
Deferred capital grants released in year - buildings (note 18)	781	653
Deferred capital grants released in year - equipment (note 18)	23	0
	29,996	27,670
2. Tuition fees and educational contracts		
Full-time HE tuition fees		
UK and EU students charged home fees	7,897	7,736
Students charged overseas and other fees	14,257	15,919
Part-time credit-bearing HE tuition fees	635	603
Non-credit-bearing tuition fees	2,083	2,122
NHS contracts	936	411
Research support grants	220	173
	26,028	26,964
3. Research grants and contracts		
Research Councils	10,382	9,613
UK-based charities	1,163	907
UK central government, local authorities, health and hospital authorities	1,126	1,711
UK industry, commerce and public corporations	760	973
European Union government bodies	1,149	1,105
European Union other	0	3
Other overseas	403	256
Other sources	167	199
Deferred capital grants (non-funding council) released in year - equipment (note 18)	53	15
	15,203	14,782
4. Other income		
Other services rendered:		
Course validation fees	521	465
UK central government, local authorities, health and hospital authorities	596	558
UK industry, commerce and public corporations	469	410
European Union government bodies	78	25
European Union other	10	0
Other overseas	1	1
Other sources	187	308
Residences, catering and conferences	13,838	13,366
Deferred capital grants (non-funding council) released in year - buildings (note 18)	55	50
Deferred capital grants (non-funding council) released in year - equipment (note 18)	0	31
Day Nursery	822	816
Other income	3,417	2,407
Income from joint ventures	899	357
	20,893	18,794

Notes to the Financial Statements

For the year ended 31 July 2006

	2005-06 £'000	2004-05 £'000 As restated
5. Endowment and investment income		
Income from fixed asset investments	15	8
Income from specific endowment asset investments (note 19)	98	336
Income from general endowment asset investments (note 19)	331	9
Income from current asset investments	709	546
	1,153	899

6. Surplus on continuing operations for the year

The surplus on continuing operations for the year is made up as follows:

University's surplus for the year	3,135	805
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	426	366
Other deficits generated by subsidiary undertakings and joint ventures	(312)	(402)
	3,249	769

7. Staff costs

Wages and salaries	48,400	45,271
Social security costs	3,919	3,600
Other pension costs (including FRS 17 adjustments as per note 29)	5,828	5,754
	58,147	54,625

Emoluments of the Vice-Chancellor for year to 31 July	169	160
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The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS are paid at the same rates as for other academic staff and amounted to £26,098 (2004-05 £24,897).

No higher paid member of staff received compensation for loss of office during the two years to 31 July 2006.

Remuneration of higher paid staff, excluding employer's pension contributions:

	Number of staff	Number of staff
£70,000-£79,999	11	6
£80,000-£89,999	3	3
£90,000-£99,999	1	0
	15	9

The average monthly number of staff (including senior post-holders) employed by the University and its subsidiaries during the year, expressed as full-time equivalents by grade, was:

Academic staff	514	510
Research staff	135	123
Senior support staff	265	246
Other support staff	295	275
General support staff	432	431
	1,641	1,585

Notes to the Financial Statements

For the year ended 31 July 2006

	2005-06 £'000	2004-05 £'000 As restated
8. Other operating expenses		
Audit fees	119	108
Books and periodicals	1,374	1,318
Consumables and laboratory expenditure	888	733
Equipment	2,464	2,754
Exceptional Items	200	1,633
Food and Drink	803	783
Gas, water and electricity	2,247	1,955
Grants to Students' Union	394	379
Insurance	384	345
Long-term maintenance programme	1,893	2,017
Minor works	252	351
Other expenses	4,885	6,064
Postage and telephones	821	849
Printing and stationery	934	889
Professional and consultancy fees	1,333	1,343
Rates and rental of premises	386	347
Repairs and routine maintenance of estates	1,380	1,117
Research survey fieldwork	1,648	2,171
Scholarships (fee waivers and bursaries)	1,553	1,406
Travel and subsistence	1,500	1,281
	25,458	27,843

Audit fees include:		
External audit	47	44
Other services supplied by external audit	21	16
Internal audit	51	48
	119	108

9. Interest payable		
Loans not wholly repayable within five years	2,369	2,472
Net pension finance costs	111	195
	2,480	2,667

10. Analysis of 2005-06 Expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest paid £'000	Total £'000	2004-05 £'000 As restated
Academic departments and centres	30,900	4,824	131	0	35,855	33,793
Academic services	3,671	2,446	0	0	6,117	5,870
Research grants and contracts	7,175	4,249	46	0	11,470	11,698
Residences, catering and conferences	3,841	4,654	1,214	2,250	11,959	12,031
Premises	3,735	3,791	1,548	129	9,203	8,304
Administration	5,244	1,674	64	0	6,982	6,719
Other services rendered	764	397	0	0	1,161	1,397
General educational	758	2,046	0	0	2,804	3,583
Student and staff facilities	1,922	736	7	9	2,674	2,443
Early retirements and severances	0	327	0	0	327	588
Other expenses	137	314	20	92	563	1,383
Total per income and expenditure account	58,147	25,458	3,030	2,480	89,115	87,809

The depreciation charge has been funded by:

Deferred capital grants released (Note 18)	912
General income	2,118
	3,030

Notes to the Financial Statements

For the year ended 31 July 2006

11. Tangible fixed assets

	University Land and Buildings £'000	University Equipment £'000	University Total £'000	Companies Land and Buildings £'000	Companies Equipment £'000	Consolidated Total £'000
Cost						
At 1 August 2005	86,368	3,008	89,376	24,699	273	114,348
Additions	22,933	704	23,637	0	37	23,674
Alienation	0	(1,700)	(1,700)	0	0	(1,700)
Disposals	0	0	0	0	(113)	(113)
At 31 July 2006	109,301	2,012	111,313	24,699	197	136,209
Depreciation						
At 1 August 2005	14,220	2,242	16,462	906	256	17,624
Charge for year	2,146	393	2,539	483	8	3,030
Alienation	0	(1,700)	(1,700)	0	0	(1,700)
Depreciation on disposals	0	0	0	0	(111)	(111)
At 31 July 2006	16,366	935	17,301	1,389	153	18,843
Net book value						
At 31 July 2006	92,935	1,077	94,012	23,310	44	117,366
At 1 August 2005	72,148	766	72,914	23,793	17	96,724

Additions to University land and buildings in the year includes expenditure of £15.6m on the construction of the Southend campus, £3.6m on the new Lecture Theatre and £1.8m on the new Social Sciences Research Centre.

University Land and Buildings include leasehold properties with a net book value of £1.596m (2004-05 £1.641m).

12. Investments

	Consolidated		University	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
At 1 August 2005	474	517	15,557	20,829
Disposal of investments	(170)	(82)	(170)	(5,311)
Depreciation in value of investments	0	(22)	0	(22)
Revaluations credited to the revaluation reserve	5	61	5	61
At 31 July 2006	309	474	15,392	15,557
Comprising:				
Treasury gilts	262	256	262	256
Zero dividend preference shares	0	170	0	170
University of Essex Research Park Holdings Ltd	0	0	12,191	12,191
Universal Accommodation Group Ltd	0	0	2,893	2,893
Other investments	47	48	46	47
	309	474	15,392	15,557

Land designated for the development of a Research Park is held by the University of Essex Research Park Holdings Ltd, a wholly owned subsidiary.

Details of investments in all subsidiary undertakings are included in note 30.

Notes to the Financial Statements

For the year ended 31 July 2006

13. Endowment assets

	2005-06 £'000	2004-05 £'000
Balance at 1 August 2005	10,952	9,313
Additions	400	4,500
Disposals	0	(4,951)
Appreciation of investments	1,019	1,596
(Decrease)/increase in cash balances held at fund managers	(401)	494
At 31 July 2006	11,970	10,952

Represented by:

Fixed interest stocks	1,258	1,303
Equities	10,193	8,729
Cash balances	519	920
Total endowment assets at market value	11,970	10,952

14. Debtors

	Consolidated		University	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
Trade debtors	2,133	3,965	1,898	3,747
Student fees	479	656	479	656
Research debtors	3,341	4,555	3,341	4,555
Prepayments and accrued income	96	150	96	78
Amount owed by Students' Union within one year	132	132	132	132
Amounts owed by subsidiary undertakings	0	0	372	320
Total amounts falling due within one year	6,181	9,458	6,318	9,488
Long-term debtor - Students' Union	741	573	741	573
Long-term debtor - Universal Accommodation Group	0	0	21,648	21,779
	6,922	10,031	28,707	31,840

On acquisition of Universal Accommodation Group Ltd, the University loaned the company £21.779m in order for the company to repay its debt.

15. Creditors: amounts falling due within one year

	Consolidated		University	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
Mortgages and unsecured loans	2,030	2,030	2,030	2,030
Payments received in advance	1,919	2,126	1,919	2,126
Research creditors	2,503	1,903	2,503	1,903
Trade creditors	2,681	3,562	2,620	3,496
Amounts owed to subsidiary undertakings	0	0	0	149
Social security and other taxation payable	1,234	1,173	1,215	1,158
Accruals	8,169	3,566	7,994	3,306
	18,536	14,360	18,281	14,168

Notes to the Financial Statements

For the year ended 31 July 2006

16. Creditors: amounts falling due after more than one year

	Consolidated		University	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
Loans secured on property:				
repayable between one and two years	2,030	2,030	2,030	2,030
repayable between two and five years	6,090	6,090	6,090	6,090
repayable after five years	32,502	34,532	32,502	34,532
	40,622	42,652	40,622	42,652

Loans of £42.7m (£44.7m 2004-05) secured on the freehold property of the University are repayable by instalments falling due between 1 August 2006 and 10 June 2029.

The University has 5 interest rate swaps reflecting its policy of ensuring circa 70% of debt outstanding is covered by fixed interest payments. The average weighted interest rate on total debt, including interest rate swaps, was 5.2% for the financial year.

17. Provisions for liabilities and charges

	Consolidated and University				Total £'000
	Part-time employees £'000	Future severances £'000	Early retirement £'000	VAT contingency £'000	
At 1 August 2005	220	343	274	375	1,212
Utilised in year	(19)	(265)	(46)	0	(330)
Transfers (to)/from income and expenditure account	0	35	15	(127)	(77)
At 31 July 2006	201	113	243	248	805

Decisions by the European Court of Justice in relation to part-time employees led to the creation of a provision to meet pension liabilities in respect of existing and former members of staff covering the period from 1977 to date. It is estimated that this provision should be released within the next two years.

The future severances provision exists to meet the costs of employees who have agreed to take early retirement under the University's Early Retirement Scheme. It will be released during the next financial year.

The early retirement provision has been set up to meet enhanced unfunded pension benefits for former staff who are members of the Local Government Pension Scheme. It is estimated that the provision will be fully released to the Income and Expenditure Account by 2016.

Provision was made in 2004-05 to meet a potential VAT liability arising from the development of the University Quays student residential accommodation. Part was released during the year as the claim developed, however there is still a dispute as to who is responsible for this liability.

Notes to the Financial Statements

For the year ended 31 July 2006

18. Deferred capital grants and gifts

	Consolidated and University		
	Funding Council £'000	Other grants £'000	Total £'000
At 1 August 2005			
Buildings	13,676	9,352	23,028
Equipment	0	0	0
	13,676	9,352	23,028
Cash received			
Buildings	9,178	12,071	21,249
Equipment	114	159	273
	9,292	12,230	21,522
Released to income and expenditure account (notes 1, 3 and 4):			
Buildings	(781)	(55)	(836)
Equipment	(23)	(53)	(76)
	(804)	(108)	(912)
At 31st July 2006			
Buildings	22,073	21,368	43,441
Equipment	91	106	197
	22,164	21,474	43,638

Grants received in the year included £6.6m from HEFCE in SRIF and Project Capital Funding and £2.7m for the Southend campus. In addition the East of England Development Agency and the Office of the Deputy Prime Minister contributed £11.9m for the Southend campus development.

Grants released to the income and expenditure account are to fund depreciation charges as shown in note 10.

19. Endowments

	Consolidated and University		
	Specific £'000	General £'000	Total £'000
At 1 August 2005	10,658	294	10,952
Transfers	(8,288)	8,288	0
Additions	4	0	4
Appreciation of endowment asset investments	153	866	1,019
Income for year (note 5)	98	331	429
Expenditure for year	(103)	(331)	(434)
At 31st July 2006	2,522	9,448	11,970
Representing:			
Specific endowments	2,522	0	2,522
Research endowment fund	0	9,126	9,126
Other general endowments	0	322	322
	2,522	9,448	11,970

During the year the Research Endowment Fund has been transferred from a specific to general endowment to correct a mis-classification. There are no specific conditions governing the use of the fund.

20. Revaluation Reserve

	Consolidated and University £'000
At 1 August 2005	154
Revaluations in the year	5
Transfer to general reserve in respect of disposals	(45)
At 31st July 2006	114

Notes to the Financial Statements

For the year ended 31 July 2006

21. Movement on general reserves

	Consolidated		University	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
At 1 August as previously stated	18,789	32,273	31,806	44,888
Prior year adjustment in respect of FRS 17 (note 33)	0	(13,741)	0	(13,741)
At 1 August as restated	18,789	18,532	31,806	31,147
Surplus retained for the year	3,249	769	3,561	1,171
Transfer from revaluation reserve	45	0	45	0
Actuarial loss in respect of pension schemes	(232)	(512)	(232)	(512)
At 31 July	21,851	18,789	35,180	31,806
Balance represented by:				
Pension reserve	(14,257)	(14,567)	(14,257)	(14,567)
Income and expenditure account excluding pension reserve	36,108	33,356	49,437	46,373
At 31 July	21,851	18,789	35,180	31,806

University reserves include an amount of £12,121,000 resulting from the transfer of land with nil book value from the University to University of Essex Research Park Holdings Ltd.

22. Capital commitments

As at 31 July 2006, the University was committed to £11.3m capital expenditure on new buildings (£25.3m 2004-05) including completion of the Southend campus (£4.5m), the new lecture theatre building (£1.8m) and the new Social Sciences Research Centre (£4.5m). The Social Sciences Research Centre work will be partly funded by capital grants amounting to £3.9m from HEFCE.

23. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2005-06 £'000	2004-05 £'000
Surplus on continuing operations after depreciation of assets at cost	3,244	791
Depreciation (note 10)	3,030	2,674
Deferred capital grants released to income (note 18)	(912)	(749)
Decrease in investment assets	15	152
Decrease/(increase) in stocks	61	(160)
Decrease/(increase) in debtors (note 14)	3,109	(1,929)
(Decrease)/increase in creditors	(551)	2,400
(Decrease)/increase in provisions (note 17)	(407)	628
Loss on sale of tangible fixed assets	2	338
(Profit)/loss on sale of investments	(3)	104
Endowment and investment income	(1,153)	(899)
Interest payable (note 9)	2,480	2,667
Pension cost less contributions payable	(542)	314
Net cash inflow from operating activities	8,373	6,331

Notes to the Financial Statements

For the year ended 31 July 2006

	Consolidated	
	2005-06 £'000	2004-05 £'000
24. Returns on investment and servicing of finance		
Income from endowment asset investments	429	345
Income from investments	724	554
Interest paid	(2,456)	(2,605)
	(1,303)	(1,706)

25. Capital expenditure and financial investment

Purchase of tangible fixed assets (note 11)	(23,674)	(8,467)
Accrual in respect of Network Centre	0	562
	(23,674)	(7,905)
Payments to acquire endowment assets	(400)	(4,500)
Receipts from sale of endowment assets	0	4,951
Receipts from sale of investments	173	0
Deferred capital grants received	26,225	4,149
Endowments received	4	21
	2,328	(3,284)

26. Management of liquid resources

(Increase)/decrease in current asset investments	(12,364)	7,604
Movement in endowment assets	401	(494)
	(11,963)	7,110

27. Consolidated financing

New secured loan	0	19,000
Loan repayments	(2,030)	(20,292)
	(2,030)	(1,292)
Balances at 1 August	44,682	45,974
Balances at 31 July	42,652	44,682

28. Analysis of changes in net debt

	At 1 August 2005 £'000	Cash flows £'000	Other changes £'000	At 31 July 2006 £'000
Cash at bank and in hand	7,385	(4,595)	0	2,790
Endowment asset investments	920	(401)	0	519
	8,305	(4,996)	0	3,309
Current asset investments	0	12,364	0	12,364
	8,305	7,368	0	15,673
Debt due within one year	(2,030)	2,030	(2,030)	(2,030)
Debt due after one year	(42,652)	0	2,030	(40,622)
	(36,377)	9,398	0	(26,979)

Notes to the Financial Statements

For the year ended 31 July 2006

29. Pension Schemes

The University has three principal pension schemes for employees. These are the Universities Superannuation Scheme (USS) for academic and related staff, and the Local Government Pension Scheme (LGPS) and the University of Essex Pension Scheme (UEPS) for other staff. The assets of the schemes are held in separate trustee-administered funds. All three schemes are defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme.

LGPS became a closed scheme from August 1997 and subsequently all non-academic and related staff who were not members of a pension scheme could join the UEPS. UEPS became a closed scheme from March 2004, now all new staff are eligible to join USS.

The total pension cost for the University and its subsidiary undertakings was:

	2005-06	2004-05
	£'000	£'000
Contribution to USS	4,453	4,152
Contribution to LGPS	570	536
LGPS additional University costs to fund past service deficiency	602	381
Contributions to UEPS	856	562
Contributions to other	0	4
Net adjustment from FRS 17 staff costs	(653)	119
Total pension cost	5,828	5,754

The total FRS 17 pension liability for the University and its subsidiary undertakings was:

	2005-06	2004-05
	£'000	£'000
LGPS pension liability	(12,034)	(12,601)
UEPS pension liability	(2,223)	(1,966)
Total pension liability	(14,257)	(14,567)

Universities Superannuation Scheme (USS)

This is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P).

The assets of the scheme are held in a separate trustee-administered fund. The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contribution payable to the scheme in respect of the accounting period.

The latest complete actuarial valuation of the scheme was at 31 March 2005. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities, the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities, it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the whole scheme was £21,740m and the value of the past service liabilities was £28,308m, indicating a deficit of £6,568m. The assets were therefore sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pension Act 1995, the scheme was 126% funded at that date. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded. On a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company. Using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Notes to the Financial Statements

For the year ended 31 July 2006

Universities Superannuation Scheme (continued)

The institution contribution rate required for future service benefits alone at the date of valuation was 14.3% of pensionable salaries, but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. An additional factor which could impact upon the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a last man standing scheme so that in the event of the insolvency of any participating employers in the USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of the valuation. The contribution rate for employees is 6.35%.

Local Government Pension Scheme (LGPS)

The Essex County Council LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The contribution rates for 2005-06 were 14.46% for the University (12.05% manual workers) and 6% for employees (5% for manual workers). In addition, the University made a further payment of £542,700 (2004-05 £372,000) towards the scheme deficiency.

The pensions cost is assessed every three years in accordance with the advice of a qualified actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Last actuarial valuation	31 March 2004
Actuarial method	Projected Unit
Investment returns per annum	7.1% per annum
Pension increases per annum	2.8% per annum
Salary scale increases per annum	4.3% per annum
Market value of assets at date of last valuation (whole fund)	£1,916 million

Proportion of members' accrued benefits covered by the actuarial value of assets (whole fund) 71.4%.

Actuarial Assumptions

A full actuarial valuation was carried out at 31 March 2004, and updated to 31 July 2006 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31-Jul-06	At 31-Jul-05	At 31-Jul-04
	%	%	%
Rate of increase in salaries	4.50	4.20	4.60
Rate of increase in pension payments	3.00	2.70	2.80
Expected return on assets	6.41	6.85	6.93
Discount rate for liabilities	5.10	5.00	5.70
Inflation assumptions	3.00	2.70	2.80

The assets in the scheme (of which the University's estimated share is 1.05%) and the expected rate of return were:

	Long-term rate of return expected at 31-Jul-06	Whole fund value at 31-Jul-06 £'000	Long-term rate of return expected at 31-Jul-05	Whole fund value at 31-Jul-05 £'000	Long-term rate of return expected at 31-Jul-04	Whole fund value at 31-Jul-04 £'000
	%		%		%	
Equities	7.00	1,839,000	7.50	1,701,000	7.50	1,292,000
Gilts	4.40	290,000	4.40	273,000	5.00	184,000
Bonds	5.10	184,000	5.00	122,000	5.70	175,000
Property	6.00	342,000	6.50	288,000	6.50	218,000
Cash	4.50	57,000	4.75	54,000	4.50	28,000
Total market value of assets		2,712,000		2,438,000		1,897,000
University of Essex estimated asset share		28,502		25,028		22,583
Present value of scheme liabilities		(40,536)		(37,629)		(35,331)
(Deficit) in the scheme		(12,034)		(12,601)		(12,748)
		70%		67%		64%

Notes to the Financial Statements

For the year ended 31 July 2006

Local Government Pension Scheme (continued)

History of Experience Gains and Losses

	2005-06 £'000	2004-05 £'000	2003-04 £'000	2002-03 £'000	2001-02 £'000
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Difference between the expected and actual return on scheme assets:

Amount	1,959	3,294	469	(368)	(4,400)
Percentage of scheme assets	6.90%	13.16%	2.08%	1.76%	22.85%

Experience gains arising on the scheme liabilities:

Amount	869	484	0	0	1
Percentage of scheme liabilities	2.10%	1.29%	0.00%	0.00%	0.00%

Total amount recognised in the Statement of Total Recognised Gains and Losses:

Amount	(73)	426	469	(3,010)	(4,399)
Percentage of the present value of scheme liabilities	0.02%	1.13%	1.33%	8.89%	15.13%

At 31-Jul-06 £'000	At 31-Jul-05 £'000
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Analysis of amount charged to income and expenditure account

Current service charge	(815)	(785)
Past service gain (cost)	586	(83)
Curtailement loss	(7)	0

Total operating charge	(236)	(868)
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Analysis of net return on pension scheme

Expected return on pension scheme assets	1,609	1,566
Interest on pension liabilities	(1,871)	(2,004)

Net return	(262)	(438)
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Amount recognised in the statement of total recognised gains and losses (STRGL)

Actual return less expected return on pension scheme assets	1,959	3,294
Experience gains and losses arising on the scheme liabilities	(869)	(484)
Changes in assumptions underlying the present value of scheme liabilities	(1,163)	(2,384)

Actuarial (loss)/gain recognised in the STRGL	(73)	426
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Movements in (deficit) during the year

(Deficit) in scheme at 1 August 2005	(12,601)	(12,748)
Movements in the year:		
Current service charge	(815)	(785)
Contributions	1,138	1,027
Past service gain (cost)/Curtailement/Settlement gain	579	(83)
Net interest/return on assets	(262)	(438)
Actuarial (loss)/gain	(73)	426

(Deficit) in scheme at 31 July 2006	(12,034)	(12,601)
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Notes to the Financial Statements

For the year ended 31 July 2006

University of Essex Pension Scheme (UEPS)

The UEPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The contribution rates for 2005-06 were 18% for the University (2004-05 14.1%) and 6% for employees. In addition, the University is making annual contributions of £176,000 in each of the 10 years from 1 August 2005 towards the scheme deficiency.

The pensions cost is assessed every three years in accordance with the advice of a qualified actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Last actuarial valuation	1 August 2004
Actuarial method	Projected Unit
Investment returns per annum	6.5% per annum
Pension increases per annum	2.9% per annum
Salary scale increases per annum	4.4% per annum
Market value of assets at date of last valuation	£3,324,164

Proportion of members' accrued benefits covered by the actuarial value of assets 93%.

Actuarial Assumptions

A full actuarial valuation was carried out at 1 August 2004, and updated to 31 July 2006 by a qualified independent actuary.

The major assumptions used by the actuary were:

	At 31-Jul-06	At 31-Jul-05	At 31-Jul-04
	%	%	%
Rate of increase in salaries	4.0	3.7	3.9
Rate of increase in pension payments	3.0	2.7	2.9
Expected return on assets	6.7	6.5	7.5
Discount rate for liabilities	5.1	5.0	5.7
Inflation assumptions	3.0	2.7	2.9

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

	Long-term rate of return expected at 31-Jul-06	Whole fund value at 31-Jul-06 £'000	Long-term rate of return expected at 31-Jul-05	Whole fund value at 31-Jul-05 £'000	Long-term rate of return expected at 31-Jul-04	Whole fund value at 31-Jul-04 £'000
	%		%		%	
Equities	6.8	6,580	6.9	5,056	7.5	3,228
Corporate bonds	5.1	63	5.0	0	5.7	0
Government bonds	4.3	96	4.4	0	5.0	0
Cash	4.5	21	4.5	154	4.3	41
Total market value of assets		6,760		5,210		3,269
Present value of scheme liabilities		(8,983)		(7,176)		(4,262)
(Deficit) in the scheme		(2,223)		(1,966)		(993)
		75%		73%		77%

Notes to the Financial Statements

For the year ended 31 July 2006

University of Essex Pension Scheme (continued)

History of Experience Gains and Losses	2005-06	2004-05	2003-04	2002-03	2001-02
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets:					
Amount	238	676	72	(93)	(312)
Percentage of scheme assets	3.5%	13.0%	2.2%	-4.6%	-26.2%
Experience gains arising on the scheme liabilities:					
Amount	0	(220)	(71)	141	104
Percentage of scheme liabilities	0.0%	3.1%	-1.7%	5.1%	7.1%
Total amount recognised in the Statement of total recognised gains and losses:					
Amount	(159)	(938)	115	(444)	(81)
Percentage of the present value of scheme liabilities	1.8%	13.1%	2.7%	-15.9%	-5.6%
				At	At
				31-Jul-06	31-Jul-05
				£'000	£'000

Analysis of amount charged to income and expenditure account

Current service charge				(919)	(714)
Past service cost				0	(16)
Total operating charge				(919)	(730)

Analysis of net return on pension scheme

Expected return on pension scheme assets				388	281
Interest on pension liabilities				(384)	(272)
Net return				4	9

Amount recognised in the statement of total recognised gains and losses (STRGL)

Actual return less expected return on pension scheme assets				238	676
Experience gains and losses arising on the scheme liabilities				0	(220)
Changes in assumptions underlying the present value of scheme liabilities				(397)	(1,394)
Actuarial loss recognised in the STRGL				(159)	(938)

Movements in surplus/(deficit) during the year

(Deficit) in scheme at 1 August 2005				(1,966)	(993)
Movements in the year:					
Current service charge				(919)	(714)
Contributions				836	586
Other finance income				147	234
Other outgoings				(166)	(134)
Past service costs				0	(16)
Net interest/return on assets				4	9
Actuarial losses				(159)	(938)
(Deficit) in scheme at 31 July 2006				(2,223)	(1,966)

Notes to the Financial Statements

For the year ended 31 July 2006

30. University Companies

The University has the following wholly owned subsidiary companies:

Company	At 31 July 2006 £1 Shares	At 31 July 2005 £1 Shares	Activity
Wivenhoe Technology Ltd	2	2	Acquisition, protection and licensing of intellectual property from the University
W P Management Ltd	2	2	Management of commercial activities at the University
University of Essex Research Park Holdings Ltd	12,190,682	12,190,682	Holding land on behalf of the University for development as a Research Park.
University of Essex Research Park Ltd	50,002	50,002	Development and marketing of a Research Park.
University of Essex Environmental Facilities Ltd	100,000	100,000	Dormant throughout the year
East 15 Acting School Ltd	2	2	Dormant throughout the year
Wivenhoe Building Management Services Ltd	2	2	Dormant throughout the year
Universal Accommodation Group Ltd	1	1	Developing student accommodation

During the year, Wivenhoe Technology Ltd sold its 70% holding in the share capital of Technologica Ltd.

The level of surplus/(deficit) from each of the wholly-owned trading subsidiaries was as follows:

	Year-end date	2005-06 £'000	2004-05 £'000
Wholly-owned subsidiaries:			
Wivenhoe Technology Ltd	31 July	145	79
W P Management Ltd	31 July	281	287
University of Essex Research Park Holdings Ltd	31 July	0	(3)
Universal Accommodation Group Ltd	31 July	(247)	(174)
University of Essex Research Park Ltd	31 July	0	1
Technologica Ltd (sold during the year)	31 July	0	(2)
		179	188

These results have been included in the consolidated Financial Statements.

A joint venture agreement has been signed with Carisbrooke Alliance Ltd, setting up the Carisbrooke-Essex Partnership. The aim of this venture is to establish a research park on campus. The University has transferred 40 acres of land into a wholly-owned subsidiary company, University of Essex Research Park Holdings Ltd, in exchange for £12,190,680 of redeemable preference shares.

Notes to the Financial Statements

For the year ended 31 July 2006

University Companies (continued)

Wivenhoe Technology Ltd owns 500 Class A £1 ordinary shares in Nesstar Ltd, a company registered in England and Wales. This represents 50% of the company's issued share capital. The company is involved in the development of data software.

University Campus Suffolk Ltd is a company limited by guarantee, owned equally by the University of Essex and the University of East Anglia, to promote the establishment of a university campus in Suffolk.

The Carisbrooke-Essex Partnership, Nesstar Ltd and University Campus Suffolk Ltd have been accounted for as joint ventures in accordance with FRS 9.

The level of surplus (deficit) from each of the joint ventures was as follows:

Company	Year-end date	2005-06 £'000	2004-05 £'000
Carisbrooke-Essex Partnership	31 July	24	(15)
Nesstar Ltd	30 June	(39)	(137)
University Campus Suffolk Ltd	31 July	0	0
		(15)	(152)

31. Hardship Funds

	University	
	2005-06 £'000	2004-05 £'000
Balance brought forward at 1 August	36	3
Funding council grants received	392	347
Interest earned	8	7
	436	357
Disbursed to students	405	321
Balance unspent at 31 July	31	36

These funding council grants are available solely for students; the University acts only as the paying agent. The grants and related disbursements are therefore excluded from the Income & Expenditure Account.

Notes to the Financial Statements

For the year ended 31 July 2006

32. Related Party Transactions

The related parties of the University are the wholly and partially owned subsidiary undertakings (listed in note 30 of these Financial Statements), the University of Essex Students' Union and the members of the Council.

In the preparation of these Financial Statements, the University has taken advantage of the exemptions contained within Financial Reporting Standard 8 relating to transactions and balances eliminated on consolidation.

All transactions and balances with the subsidiary undertakings have been eliminated on consolidation and therefore no disclosure is given.

Due to the level and nature of transactions between the organisations, the University of Essex Students' Union is considered to be a related party. In the year to 31 July 2006 the University paid the Union a grant of £393,700 (2004-05: £379,044), and provided accommodation free of rent. The University had also loaned the Union £958,950 to meet the cost of its refurbishment programme. The loan bears a fixed interest rate of 5.25% and is repayable over 8 years. The amount of loan outstanding at 31 July 2006 was £573,000 (2004-05 £705,000), (see note 14).

A further interest-free loan of £300,000 with a 4-year repayment holiday was granted in the year.

For the 2005-06 year, the Union's income and expenditure account shows the following:

	2005-06	2004-05
	£'000	£'000
Income	984	991
Expenditure	1,121	987
Operating (deficit)/surplus before transfers from/(to) reserves	(137)	4
Transfers from/(to) reserves	0	8
(Deficit)/surplus after transfers from/(to) reserves	(137)	12

The comparative figures for 2004-05 have been re-stated as audited accounts were not available until after completion of the University's financial statements for that year.

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 Financial Regulations and normal procurement procedures. Given that the University Council includes members drawn from public and private sector organisations, some transactions take place with organisations in which a member of Council may have an interest. However, these transactions occur at the operational level where they are instigated by members of staff and approved by senior management under delegated authority. There is no direct benefit to members of Council.

Members of Council (and its sub-committees) are required to declare all outside interests. When an item arises in which a member has an interest, it must be declared and the member concerned may not take part in that debate or any related decisions.

Notes to the Financial Statements

For the year ended 31 July 2006

33. Prior year adjustment note

The prior year adjustment relates to the full implementation of FRS 17.

FRS 17 requires the assets of defined benefit pension schemes, namely the Local Government Pension Scheme (LGPS) and University of Essex Pension Scheme (UEPS), to be measured at market value at each balance sheet date, and the liabilities to be measured using a specific valuation method and to be discounted using a corporate bond rate. Any resulting share of the pension scheme surplus or deficit is recognised on the balance sheet. Any resulting gains and losses are recognised in the statement of total recognised gains and losses rather than being recognised gradually in the income and expenditure account.

The adoption of FRS 17 has resulted in the following impact on the income and expenditure account and statement of total recognised gains and losses. In accordance with the transitional arrangements of FRS 17, these figures have been reported in the notes to the accounts since the year ending 31 July 2001.

	Consolidated	University
	2004-05	2004-05
	£'000	£'000
Income and expenditure account reserve as previously stated	33,356	46,373
Pension liability at 1 August 2004	(13,741)	(13,741)
Movement during 2004-05:		
Current service charge	(1,499)	(1,499)
Contributions	1,613	1,613
Other finance income	234	234
Other outgoings	(134)	(134)
Past service gain (cost)/Curtailment/Settlement gain	(99)	(99)
Net interest/return on assets	(429)	(429)
Actuarial gain or loss	(512)	(512)
Income and Expenditure account reserve as restated at 31 July	18,789	31,806
Analysis of prior year adjustment		
Adjustment to opening income and expenditure account reserve at 1 August 2004	(13,741)	(13,741)
Adjustment to income and expenditure account for the year ended 31 July 2005	(314)	(314)
Adjustment to statement of total recognised gains and losses for the year ended 31 July 2005	(512)	(512)
Total	(14,567)	(14,567)

Five-Year Summary of Financial Position

For the year ended 31 July

	2001-02 £'000 As restated	2002-03 £'000 As restated	2003-04 £'000 As restated	2004-05 £'000 As restated	2005-06 £'000
Income and Expenditure Account					
Income					
Funding council grants	23,078	24,313	25,772	28,076	29,996
Tuition fees and educational contracts	19,213	23,639	25,574	26,964	26,028
Research grants and contracts	10,376	13,280	12,631	14,782	15,203
Other income	14,649	14,999	18,386	18,388	20,893
Endowment and investment income	1,135	1,217	913	899	1,153
Total	68,451	77,448	83,276	89,109	93,273
Less share of joint venture income	0	(295)	(408)	(357)	(899)
Total income	68,451	77,153	82,868	88,752	92,374
Expenditure					
Staff costs	41,536	45,960	50,643	54,625	58,147
Other operating expenses	22,565	24,401	25,313	27,843	25,458
Depreciation	1,892	2,038	2,516	2,674	3,030
Interest paid	1,355	1,404	2,971	2,667	2,480
Total expenditure	67,348	73,803	81,443	87,809	89,115
Surplus after depreciation of assets at cost	1,103	3,350	1,425	943	3,259
Share of operating loss in joint venture	0	(137)	(102)	(152)	(15)
Surplus for the year	1,103	3,213	1,323	791	3,244
Transfer of surplus/(deficit) to endowment funds	(53)	56	84	22	(5)
Transfer of surplus to reserves	1,156	3,157	1,239	769	3,249
	1,103	3,213	1,323	791	3,244
Balance Sheet as at 31 July					
Total fixed assets	53,566	81,813	91,554	96,814	117,276
Endowment assets	8,771	8,495	9,313	10,952	11,970
Current assets	15,102	16,719	15,478	17,948	22,547
Creditors: amounts falling due within one year	(10,026)	(11,263)	(10,507)	(14,360)	(18,536)
Total assets less current liabilities	67,413	95,764	105,838	111,354	133,257
Creditors: amounts falling due after more than one year	(19,754)	(43,560)	(43,947)	(42,652)	(40,622)
Provisions for liabilities	(615)	(856)	(584)	(1,212)	(805)
Pension liability	(10,095)	(13,706)	(13,741)	(14,567)	(14,257)
Net assets	36,949	37,642	47,566	52,923	77,573
Deferred capital grants	11,097	12,345	19,628	23,028	43,638
Endowments	8,771	8,495	9,313	10,952	11,970
Reserves	17,081	16,802	18,625	18,943	21,965
Total funds	36,949	37,642	47,566	52,923	77,573
Financial Statistics					
Surplus as a percentage of turnover	1.7%	4.3%	1.5%	0.9%	3.6%
Margin on research grants and contracts <i>(income less direct expenditure/income)</i>	16.5%	19.7%	18.0%	20.9%	24.6%
Margin on residences, catering & conferences <i>(income less direct expenditure/income)</i>	12.8%	14.8%	4.9%	10.0%	13.6%
Current ratio <i>(current assets/current liabilities)</i>	1.5	1.5	1.5	1.2	1.2
Debt as percentage of total turnover	28.9%	57.1%	55.5%	50.1%	45.7%
Liquidity days <i>(number of days of average expenditure excluding depreciation supported by cash balances)</i>	53	45	37	32	64
Debtor days <i>(number of days income excluding Funding Council grant represented by debtors due within one year)</i>	37	34	42	52	36

