

Financial Statements 2000-2001

Contents

Advisers to the University	2
Treasurer's Report	3
Corporate Governance	6
Responsibilities of Council	8
Report of the Auditors	10
Report of the Auditors on Corporate Governance	11
Statement of Principal Accounting Policies	12
Consolidated Income and Expenditure Account	14
Balance Sheet	15
Consolidated Cash Flow Statement	16
Statement of Consolidated Total Recognised Gains And Losses	17
Notes to the Financial Statements	18
Membership of the Council 2000-2001	30

University of Essex
Wivenhoe Park
Colchester
CO4 3SQ
United Kingdom

Telephone: 01206 873333
Facsimilie: 01206 873598
URL: <http://www/essex.ac.uk/>

ADVISERS

Bankers

Lloyds TSB plc

Solicitors

Birkett Long
Mills & Reeve
Devonshires

Auditors

Scrutton Bland

Investment Managers

Cazenove Fund Management Limited
Deutsche Asset Management Limited
Investec Asset Management Limited
Merrill Lynch Investment Managers
M & G Securities Limited

Insurers

UM Association Limited
UM Association (Terrorism) Limited

Treasurer's Report

Introduction

It is pleasing to report another satisfactory year for the University. In his last report, my predecessor, Stanley Thomson, forecast that turnover would grow by more than 10% in 2000/2001. Actual growth exceeded 16%. It is a tribute to all the University's staff that this growth has been successfully delivered despite the pressures on staff, systems and budgets. It is also a tribute to Stanley Thomson and the prudent financial management that characterised his seven years of office.

Results for the Year

The consolidated Income and Expenditure Account for the year to 31 July 2001 is summarised below:

	2000/01	1999/00
	£000	£000
Income	63,944	54,949
Expenditure	62,539	54,274
	-----	-----
Surplus for the year	1,405	675
	=====	=====

The increase in turnover of nearly £9 million or 16.4% has been fuelled by growth in most areas of activity.

On 6 September 2000, the University and the East 15 Acting School in Loughton, Essex, successfully merged adding £1.4 million to the University's turnover. This, along with the continued delivery of additional Home/EU student numbers awarded to the University and record numbers of overseas students, has led to income from academic fees increasing by 15.6%. This includes an increase in income from full-fee paying overseas students of 18%. The University's ability to attract large numbers of high quality overseas students is testament to the high academic reputation the University has abroad and its international research standing.

The increase in student numbers is matched by a 21.6% increase in income from student residences, catering and conferences as the results include the first full year of operation of Phase III of the South Courts residential accommodation. It is especially pleasing to note that the contribution from student residences, catering and conferences activities has increased from £796,000 in 1999/2000 to £1.112 million in 2000/2001, representing a contribution rate of 11.9% (10.4% in 1999/2000).

Income from research grants and contracts increased by 22% and more importantly the contribution rate increased to 16.9% (15.3% in 1999/2000). The University has adopted a strategy to grow its research income, building on what is already a strong base, delivered by outstanding academic staff. This year's results are an excellent first step towards achieving these goals.

Capital Projects

Growth in activities puts a strain on campus facilities. Investment is a high priority to ensure that future growth can be accommodated and standards maintained. Total capital expenditure amounted to £3.8 million (£10.4 million in 1999/2000). Major projects included East 15 teaching building and computer room; completion of South Courts Phase III and Biological Sciences laboratory refurbishments.

During the year, two major Government funding initiatives were announced that have resulted in the award of new capital grants to the University totalling £5.1 million, under the Science Research Investment Fund and a formula grant for teaching facilities and works required by the Disability Discrimination Act. These are very welcome and will be spent on projects to be completed over the next three years. However, the University, in common with many other universities, has faced a general underinvestment in core teaching and research facilities over many years, not just in science but also humanities and the social sciences. If the

Treasurer's Report (continued)

UK's excellence in teaching and research is to be maintained the pace of investment must accelerate. The current HE funding regime does not resource such investment. Funds must be found if the sector's international pre-eminence is to be maintained.

Cash Flow

Although the surplus increased, cash inflow from operating activities remains low at £463,000 (£621,000 in 1999/2000) largely as a result of short-term timing factors.

The University is currently in the middle of a capital building programme financed in large part by its own resources. As a result, total cash reduced by £2.1 million - a trend that will continue in future years.

Investment Performance

The University's long-term endowment and general fund investments are currently invested in three common investment funds, (two equity based, one fixed interest) and in zero dividend preference shares. During the year, the University disinvested from one of its equity funds and reinvested the proceeds in zero dividend preference shares and cash deposits. These changes in part reflect the University's need to fund its capital building programme over the coming years and also the relatively poor returns offered by equities.

All of the funds outperformed their benchmarks over the year. Since 31 July stock markets have continued to fall and the events of 11 September 2001 have had a significant impact. The result of this is that market values are some 5.6% below that at the balance sheet date. However, the University's relatively large holdings of cash and investments in zero dividend preference shares will enable the University to sustain the capital building programme over the next few years.

Future Developments

The 2000/2001 results represent the first fruits of the University's growth strategy. The University has recently commenced a joint venture with South East Essex College to provide an expansion of HE in South Essex. This has been supported by substantial capital funding from both the Learning Skills Council and HEFCE, along with the award of 765 additional funded student numbers, phased over three years.

The University is also near to finalising a project to build a new block of student residences, known as University Quays, for approximately 750 places at a total cost of £25 million. This will be funded by a term loan and work is expected to commence on site in early 2002, ready for completion in August 2003.

Aside from continued growth in student numbers, the University is committed to extending and building on its relationship with business and exploiting its intellectual property. It has been successful in winning two awards under the Higher Education Innovation Fund initiative, one in collaboration with other universities in the region and one specific to Essex. This will enable the University to establish a business incubation unit, improve the process for establishing spin-out businesses from University research and better market the University's services to SMEs in the region. The University, in conjunction with the University of East Anglia, the John Innes Centre, the Sainsbury Laboratory and the Institute of Food Research and Plant Bioscience Limited has also been awarded funds under the Government's University Challenge Fund initiative to establish a £4 million seedcorn venture capital fund to exploit and commercialise the intellectual property arising from research within partner institutions. These awards come at an opportune time as the University is currently exploring the potential for establishing a research park on the

Treasurer's Report (continued)

Colchester campus, in part to accommodate the increasing number of spin-out companies it is nurturing, but also to foster close relationships between businesses and the University's research activities.

Finally, the continued success of the University is very much dependent on its staff. There is general recognition that more is being asked of staff to cope with changes and growth. It is gratifying to report that the Funding Council has recognised this and has provided funds to the University of £1.98 million to develop a human resources strategy, a large part of which will go towards implementing a new pay and rewards system over the next three years.

Derek Lewis
Treasurer

Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Throughout the year ended 31 July 2001, the University has been in compliance with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance, insofar as they relate to universities. The University also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in 2000.

The University's Governing Body is its Council. This numbers 35, comprising lay members, academic staff and students, appointed under the statutes of the University. The majority of members are non-executive. The roles of Chair and Vice-Chair of the Council are separated from the role of the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the University, by custom and under the Financial Memorandum with the Higher Education Funding Council for England. The Council holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Senior Management on the day to day operations of its business and its subsidiary companies.

The Council normally meets four times a year and receives reports on the functioning of the University and subsidiary companies. It has several Sub-Committees, including a Finance Committee, a Standing Committee, a Senior Staffing Committee, an Audit Committee, a Health and Safety Committee and a Development Committee. All of these Committees are formally constituted with terms of reference. Much of the business of the Council is transacted through the Committee structure.

In respect of its strategic responsibilities, the Council receives recommendations and advice from the Budget Sub-Committee, a committee which reports to Finance Committee, made up of the Senior Management of the University.

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

The Standing Committee of Council has primary responsibility for Governance issues and considers nominations for vacancies in the Council membership under the relevant Statute.

The Senior Staff Committee determines the remuneration of the most senior academic and academic-related staff. The lay officers of Council separately review the salaries of the Vice-Chancellor and the Registrar and Secretary.

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 Higher Education Funding Council for England as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee.

The Senate is the highest academic authority of the University. It is responsible for the promotion of academic work both in 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. It has 10 representatives on the University Council, each appointed for a two-year period.

Corporate Governance (continued)

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

Members of Council are eligible for re-appointment for up to a further three years, other than those appointed by Senate.

Responsibilities of the Council of the University of Essex

In accordance with the Royal Charter, the Council of the University 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and its subsidiary undertakings and enable it to ensure that the Financial Statements are prepared in accordance with the Statement of Recommended Practice: Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England (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 of the surplus or deficit and cash flows for that year.

In causing the Financial Statements to be prepared, the Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable 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.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic departments and administrative sections;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Council;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the Group's system of internal control.

**Responsibilities of the Council of the
University of Essex (continued)**

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Report of the Auditors to the Council of the University of Essex

We have audited the Financial Statements on pages 12 to 29 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 12 to 13.

Respective responsibilities of the Council and Auditors

As described on page 8, the Council is responsible for ensuring that Financial Statements are prepared. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the 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 2001, and of the income and expenditure and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 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 dated 7 July 2000 with the Higher Education Funding Council for England.

SCRUTTON BLAND
Chartered Accountants
And Registered Auditors

Sir Isaac's Walk
Colchester
CO1 1JL

26 November 2001

Report of the Auditors to the Council of the University of Essex on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed the statements on page 6 on the University's compliance with the Combined Code on Corporate Governance. The objective of our review is to draw attention to non-compliance with these paragraphs of the above Code.

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to Corporate Governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the University's system of internal financial control or its Corporate Governance procedures nor on the ability of the University to continue in operational existence.

Opinion

Based on enquiry of certain directors and officers of the University, and examination of relevant documents, in our opinion the statement on page 6 appropriately reflects the University's compliance with the other paragraphs of the Code specified for our review.

SCRUTTON BLAND
Chartered Accountants
And Registered Auditors

Sir Isaac's Walk
Colchester
CO1 1JL

26 November 2001

Statement of Principal Accounting Policies

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 and applicable Accounting Standards and Financial Reporting Standards. Comparative figures have been changed, where appropriate, so that the information is presented on a consistent basis.

Basis of Consolidation

The Financial Statements comprise the consolidated results of the University of Essex and its subsidiaries: Wivenhoe Park Management Limited, Wivenhoe Building Management Services Limited, University of Essex Environmental Facilities Limited and Wivenhoe Technology Limited. 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 companies covenant all taxable profits to the University.

The consolidated Financial Statements do not include those of the University of Essex Students' Union. It is not a separate entity but its results are not material to those of the University, and are therefore not included with the University results. The grant awarded to the Students' Union is disclosed in Note 7.

Recognition of Income

Income from Specific and General Endowment Asset Investments, 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 income from short-term deposits and other investments is credited to the Income and Expenditure Account on a receivable basis.

Pension Schemes

Pension costs are assessed in accordance with the advice of an actuary based on the latest actuarial valuations 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.

Except where it has been prudent to recognise deficiencies over a shorter period, variations from regular costs are spread over the expected average remaining working life of members of the schemes after making suitable allowances for future withdrawals.

Provision has been made for the present value of future liabilities to meet enhanced unfunded pension benefits for former staff who are members of the Essex County Council Superannuation Scheme. Provision has also been made to meet a past service shortfall of members of the Essex County Council Superannuation Scheme who took early retirement. The payments to be made are largely set against these provisions.

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.

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 depreciated over their expected useful lives of 50 years, except for certain buildings at the East 15 Acting School for which a 20-year depreciation policy had been adopted prior to transfer of the assets to the University.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are

Statement of Principal Accounting Policies (continued)

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 - five years; computer equipment - three years; and 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).

Investments

Fixed Assets and Endowment Asset Investments are included in the Balance Sheet at market value. 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.

Stocks

The stocks are stores for general maintenance, fuel, 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.

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 and government securities 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.

**UNIVERSITY OF ESSEX
AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED INCOME AND
EXPENDITURE ACCOUNT FOR THE
YEAR ENDED 31 JULY 2001**

	Note	2000-01 £'000	1999-00 £'000
Income			
Funding Council Grants	1	20,916	18,738
Academic Fees and Support Grants	2	17,201	14,878
Research Grants and Contracts	3	11,050	9,073
Other Operating Income	4	13,421	10,892
Endowment and Investment Income Receivable	5	1,356	1,368
Total Income		<u>63,944</u>	<u>54,949</u>
Expenditure			
Staff Costs	6	37,966	34,408
Other Operating Expenses	7	21,455	17,516
Depreciation	9	1,671	1,275
Interest Payable	8	1,447	1,075
Total Expenditure	9	<u>62,539</u>	<u>54,274</u>
Surplus after Depreciation of Assets at Cost and before Tax		1,405	675
Taxation		0	0
Surplus after Depreciation of Assets at Cost and after Tax		<u>1,405</u>	<u>675</u>

**UNIVERSITY OF ESSEX
AND SUBSIDIARY UNDERTAKINGS
BALANCE SHEET
AS AT 31 JULY 2001**

	Note	Consolidated		University	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fixed Assets					
Tangible Fixed Assets	10	52,318	50,340	52,249	50,317
Investments	11	1,406	2,363	1,373	2,330
		<u>53,724</u>	<u>52,703</u>	<u>53,622</u>	<u>52,647</u>
Endowment Asset Investments	12	<u>10,627</u>	<u>11,858</u>	<u>10,627</u>	<u>11,858</u>
Current Assets					
Stock and Stores in Hand		351	315	329	296
Debtors	13	4,386	2,425	4,198	2,339
Investments		12,342	10,762	12,342	10,762
Cash at Banks and in Hand		239	1,449	180	1,395
		<u>17,318</u>	<u>14,951</u>	<u>17,049</u>	<u>14,792</u>
Creditors: amounts falling due within one year	14	<u>(10,622)</u>	<u>(9,529)</u>	<u>(10,336)</u>	<u>(9,410)</u>
Net Current Assets		<u>6,696</u>	<u>5,422</u>	<u>6,713</u>	<u>5,382</u>
Total Assets less Current Liabilities		<u>71,047</u>	<u>69,983</u>	<u>70,962</u>	<u>69,887</u>
Creditors: amounts falling due after one year	15	<u>(20,456)</u>	<u>(19,562)</u>	<u>(20,456)</u>	<u>(19,562)</u>
Provisions for Liabilities and Charges	16	<u>(881)</u>	<u>(849)</u>	<u>(881)</u>	<u>(849)</u>
Net Assets		<u><u>49,710</u></u>	<u><u>49,572</u></u>	<u><u>49,625</u></u>	<u><u>49,476</u></u>
Deferred Capital Grants and Gifts	17	<u>13,369</u>	<u>13,328</u>	<u>13,369</u>	<u>13,328</u>
Endowments					
Specific	18	9,906	11,064	9,906	11,064
General	18	721	794	721	794
		<u>10,627</u>	<u>11,858</u>	<u>10,627</u>	<u>11,858</u>
Reserves					
Revaluation Reserve	19	143	525	143	525
General Reserve	20	25,571	23,861	25,486	23,765
		<u>25,714</u>	<u>24,386</u>	<u>25,629</u>	<u>24,290</u>
Total Funds		<u><u>49,710</u></u>	<u><u>49,572</u></u>	<u><u>49,625</u></u>	<u><u>49,476</u></u>

The Financial Statements on pages 12 to 29 were approved by Finance Committee on 26 November 2001 and signed under delegated authority given by the University Council by:

PROFESSOR I. CREWE
Vice-Chancellor

D. LEWIS
Treasurer

A. CONNOLLY
Director of Finance

**UNIVERSITY OF ESSEX
AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED CASH FLOW
STATEMENT FOR THE YEAR ENDED 31 JULY 2001**

	Note	2000-01 £'000	1999-00 £'000
Net Cash Inflow from Operating Activities	23	462	621
Returns on Investments and Servicing of Finance	24	51	283
Taxation		0	0
Capital Expenditure and Financial Investment	25	(2,010)	(8,158)
Cash Outflow before use of Liquid Resources and Financing		(1,497)	(7,254)
Management of Liquid Resources	28	(1,580)	1,116
Financing	26	963	6,571
(Decrease)/Increase in Cash	27	(2,114)	433
 Reconciliation of Net Cash Flow to Movement in Net Debt			
(Decrease)/Increase in Cash in the period		(2,114)	433
Increase/ (Decrease) in Liquid Resources		1,580	(1,116)
Changes in Net Debt resulting from Cash Flows		(963)	(6,571)
Movement in Net Debt in period		(1,497)	(7,254)
Net Debt at 1 August 2000		(8,754)	(1,500)
Net Debt at 31 July 2001	27	(10,251)	(8,754)

**UNIVERSITY OF ESSEX
AND SUBSIDIARY UNDERTAKINGS
STATEMENT OF CONSOLIDATED TOTAL
RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2001**

	Note	2000-01 £'000	1999-00 £'000
Recognised gains relating to the year			
Surplus on Continuing Operations after depreciation of assets at cost, disposal of assets and Tax		1,405	675
(Depreciation)/Appreciation of Fixed Asset Investments	11	(77)	29
(Depreciation)/Appreciation of Endowment Asset Investments	18	(1,151)	498
Endowment Income - released for year	18	(126)	(140)
New Endowments	18	46	90
Total Recognised gains relating to the year		<u>97</u>	<u>1,152</u>

Reconciliation

Opening Reserves and Endowments	36,244
Total recognised gains relating to the year	<u>97</u>
Closing Reserves and Endowments	<u>36,341</u>

**Statement of Historical Cost Surpluses
for the year ended 31 July 2001**

Reported Surplus on Activities before and after Tax	1,405	675
Realisation of Investment Revaluation gains of previous years	0	32
Transferred from Revaluation Reserve	305	0
Historical Cost Surplus on Activities before and after Tax	<u>1,710</u>	<u>707</u>

**NOTES TO THE
FINANCIAL STATEMENTS**

	2000-01	1999-00
	£'000	£'000
1. Funding Council Grants		
Recurrent (Teaching)	13,025	11,477
Recurrent (Research)	6,460	6,408
Recurrent (Other)	542	290
Special Initiatives	586	267
Deferred Capital Grants released in year (Note 17):		
Buildings	303	296
	<u>20,916</u>	<u>18,738</u>
2. Academic Fees and Support Grants		
Full-time HE course fees:		
UK-domiciled students charged home fees	5,750	4,888
Non-UK domiciled students charged home fees	845	916
Students charged overseas and other fees	8,239	6,979
Part-time credit bearing HE course fees	493	532
Non-credit bearing course fees	1,807	1,510
Research Training Support Grants	67	53
	<u>17,201</u>	<u>14,878</u>
3. Research Grants and Contracts		
Research Councils	6,996	5,796
UK-based charities	840	848
UK central government, local authorities, health and hospital authorities	924	735
UK industry, commerce and public corporations	949	762
European Union government bodies	1,007	631
European Union other	28	11
Other overseas	198	209
Other sources	19	29
Deferred Capital Gifts released in year (Note 17):		
Equipment	89	52
	<u>11,050</u>	<u>9,073</u>
4. Other Operating Income		
Other Services Rendered:		
Course Validation Fees	30	0
UK central government, local authorities, health and hospital authorities	146	63
UK industry, commerce and public corporations	314	253
European Union government bodies	3	3
European Union other	56	139
Other overseas	23	5
Other sources	143	164
Residences, Catering and Conferences	9,341	7,678
Deferred Capital Gifts released in year (Note 17):		
Buildings	43	43
Day Nursery	613	573
Profit on disposal of fixed assets	326	178
Other income	2,383	1,793
	<u>13,421</u>	<u>10,892</u>

**NOTES TO THE
FINANCIAL STATEMENTS**

2000-01 1999-00
£'000 £'000

5. Endowment and Investment Income Receivable

Transferred from Specific Endowments (Note 18)	439	470
Income from General Endowment Asset Investments (Note 18)	27	38
Income from Current Asset Investments	833	726
Income from Fixed Asset Investments	57	134
	<u>1,356</u>	<u>1,368</u>

6. Staff Costs

Wages and Salaries	32,074	28,937
Social Security Costs	2,353	2,140
Other Pension Costs	3,539	3,331
	<u>37,966</u>	<u>34,408</u>

Emoluments of the Vice-Chancellor for year to 31 July 2001	<u>127</u>	<u>117</u>
--	-------------------	------------

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 £18,695 (1999/2000 £15,871).

No higher paid member of staff received compensation for loss of office during the two years to 31 July 2001.

Remuneration of higher paid staff, excluding employer's pension contributions:	Number	Number
	of staff	of staff
£50,000-£59,999	24	15
£60,000-£69,999	4	3
£70,000-£79,999	1	0
	<u>29</u>	<u>18</u>

Average staff numbers by major category:

Academic and Teaching Fellow	408	383
Research Officer	99	106
Technical	75	72
Senior Administrative	90	72
Clerical and Secretarial	275	261
Other	577	584
	<u>1,524</u>	<u>1,478</u>

**NOTES TO THE
FINANCIAL STATEMENTS**

2000-01 1999-00
£'000 £'000

7. Other Operating Expenses

Residences, Catering and Conferences	3,203	3,057
Information Technology, Consumables and Laboratory Expenditure	9,387	7,466
Equipment	2,459	2,328
Books and Periodicals	1,210	1,051
Studentships and Scholarships	501	421
Heat, Light, Water and Power	651	610
Repairs and General Maintenance	1,599	1,252
Minor Works	441	294
Rates	178	(49)
Insurance	111	105
Grants to Students' Union	321	313
Audit Fees	37	31
Early Retirements and Severances	300	53
Other Expenses	1,057	584
	<u>21,455</u>	<u>17,516</u>

8. Interest Payable

Bank and other Loans wholly repayable within five years	19	60
Loans not wholly repayable within five years	1,428	1,015
	<u>1,447</u>	<u>1,075</u>

9. Analysis of 2000/2001 Expenditure by Activity

	Staff Costs £'000	Other Operating Expenses £'000	Depreciation £'000	Interest Payable £'000	Total £'000	1999-00 £'000
Academic Departments and Centres	20,946	3,619	11	0	24,576	21,260
Academic Services	2,671	2,344	17	0	5,032	4,455
Research Grants and Contracts	4,310	4,782	90	0	9,182	7,683
Residences, Catering and Conferences	2,681	3,371	751	1,426	8,229	6,882
Premises	2,250	3,225	726	4	6,205	5,092
Administration	3,054	1,420	71	0	4,545	4,573
Other Services Rendered	65	302	0	0	367	591
General Education Expenditure	470	1,222	0	0	1,692	1,592
Student and Staff Facilities	1,288	597	5	17	1,907	1,691
Early Retirements and Severances	0	300	0	0	300	53
Other Expenses	231	273	0	0	504	402
Total per Income and Expenditure Account	<u>37,966</u>	<u>21,455</u>	<u>1,671</u>	<u>1,447</u>	<u>62,539</u>	<u>54,274</u>

The depreciation charge has been funded by:

Deferred Capital Grants and Gifts Released (Note 17)	435
General Income	1,236
	<u>1,671</u>

**NOTES TO THE
FINANCIAL STATEMENTS**

10. Tangible Assets

	University Land and Buildings Freehold £'000	University Land and Buildings Leasehold £'000	University Equipment £'000	University Total £'000	Companies Equipment £'000	Consolidated Total £'000
Cost						
At 1 August 2000	57,608	0	1,486	59,094	118	59,212
Additions	3,227	0	511	3,738	72	3,810
East 15 Transfer	0	493	228	721	0	721
Disposals	(581)	0	0	(581)	0	(581)
At 31 July 2001	60,254	493	2,225	62,972	190	63,162
Depreciation						
At 1 August 2000	7,853	0	924	8,777	95	8,872
East 15 Acting School	0	163	209	372	0	372
Charge for Year	1,190	18	437	1,645	26	1,671
Disposals	(71)	0	0	(71)	0	(71)
At 31 July 2001	8,972	181	1,570	10,723	121	10,844
Net Book Value						
At 31 July 2001	51,282	312	655	52,249	69	52,318
At 1 August 2000	49,755	0	562	50,317	23	50,340

Additions to University Land and Buildings in the year included expenditure of £1.4m on South Courts III Student Residences (1999/2000 £8.5m), £1.7m on other building work (1999/2000 £1.5m) and £0.5m (at cost) on leasehold property acquired from East 15 Acting School Ltd. Additions to University Equipment included £0.2m (at cost) on equipment acquired from East 15 Acting School Ltd. Disposals in the year relate wholly to the sale of off-campus student houses.

11. Investments

	Consolidated		University	
	2000-01 £'000	1999-00 £'000	2000-01 £'000	1999-00 £'000
At 1 August 2000	2,363	3,545	2,330	3,512
Additions	902	0	902	0
Disposal of Investments	(1,782)	(1,211)	(1,782)	(1,211)
Loss on Disposal of Investments	(102)	0	(102)	0
Revaluation	25	29	25	29
At 31 July 2001	1,406	2,363	1,373	2,330

During the year, investments in Cazenove Fund Management Limited were sold for £1.7m, of which £0.9m was re-invested in zero dividend preference shares.

**NOTES TO THE
FINANCIAL STATEMENTS**

12. Endowment Asset Investments

	2000-01	1999-00
	£'000	£'000
Balance at 1 August 2000	11,858	11,410
Additions	46	90
(Depreciation)/Appreciation	(1,151)	498
Excess of Expenditure over Income	(126)	(140)
At 31 July 2001	<u>10,627</u>	<u>11,858</u>
Represented by:		
Fixed Interest Stocks	1,027	1,009
Equities	9,054	10,623
Land and Property	0	0
Bank Balances and Deposits	546	226
Total Endowment Asset Investments at Market Value	<u>10,627</u>	<u>11,858</u>
Total Endowment Asset Investments at Cost	<u>9,919</u>	<u>9,786</u>

13. Debtors: Amounts falling due within one year

	Consolidated		University	
	2000-01	1999-00	2000-01	1999-00
	£'000	£'000	£'000	£'000
Debtors	4,039	2,204	4,074	2,133
Amounts owed by Subsidiary Undertakings	0	0	10	21
Prepayments and Accrued Income	347	221	114	185
	<u>4,386</u>	<u>2,425</u>	<u>4,198</u>	<u>2,339</u>

14. Creditors: Amounts falling due within one year

Mortgages, Leases and Unsecured Loans	1,019	950	1,019	950
Payments Received on Account	2,875	2,887	2,875	2,873
Trade Creditors	1,240	1,334	1,217	1,263
Amounts owed to Subsidiary Undertakings	0	0	156	142
Social Security and Other Taxation Payable	904	787	893	773
Accruals	3,227	3,118	2,840	2,984
Overdraft	1,357	453	1,336	425
	<u>10,622</u>	<u>9,529</u>	<u>10,336</u>	<u>9,410</u>

**NOTES TO THE
FINANCIAL STATEMENTS**

15. Creditors: Amounts falling due after more than one year

	Consolidated and University	
	2000-01	1999-00
	£'000	£'000
Mortgages secured on property:		
repayable within five years	3,699	3,884
repayable after five years	16,539	15,460
Leases and Unsecured Loans:		
repayable within five years	73	56
repayable after five years	145	162
	<u>20,456</u>	<u>19,562</u>

Mortgages of £20.2m (£19.3m 1999/2000) secured on the freehold property of the University are repayable by instalments falling due between 1 August 2001 and 31 July 2026, at an average interest rate of 5.98% for the 2001/02 financial year.

Leases repayable within five years include £12k in respect of a lease transferred from the East 15 Acting School.

In May 2001, the University took professional advice on the hedging of interest rate risk and, as a consequence, a 25 year interest rate swap for £2.5m with Lloyds TSB Bank plc was taken out at a fixed rate of 5.6%.

16. Provisions for Liabilities and Charges

	Consolidated and University		
	Future Severances £'000	Early Retirement £'000	Total £'000
At 1 August 2000	159	690	849
Utilised in Year	(50)	(39)	(89)
Transfer from Income & Expenditure Account	99	22	121
At 31 July 2001	<u>208</u>	<u>673</u>	<u>881</u>

The Early Retirement provision has been set up to meet enhanced unfunded pension benefits for former staff who are members of the Essex County Council Superannuation Scheme. The provision is being released to the Income and Expenditure Account over 13 years from 1994. Provision has also been made to meet a past service shortfall for members of the Scheme who took early retirement. This is being released over the expected lives of the members.

The Future Severances provision exists to meet future costs of employees taking early retirement under the University's Early Retirement Scheme. It will be released over the following financial year.

17. Deferred Capital Grants and Gifts

	Consolidated and University		
	Funding Council £'000	Other Grants & Gifts £'000	Total £'000
At 1 August 2000:			
Buildings	11,545	1,678	13,223
Equipment	0	105	105
	11,545	1,783	13,328
Receivable:			
Buildings	366	0	366
Equipment	0	110	110
	366	110	476
Released to Income and Expenditure Account (Notes 1, 3 and 4):			
Buildings	(303)	(43)	(346)
Equipment	0	(89)	(89)
	(303)	(132)	(435)
At 31 July 2001:			
Buildings	11,608	1,635	13,243
Equipment	0	126	126
	<u>11,608</u>	<u>1,761</u>	<u>13,369</u>

**NOTES TO THE
FINANCIAL STATEMENTS**

18. Endowments

	Consolidated and University		
	Specific	General	Total
	£'000	£'000	£'000
At 1 August 2000	11,064	794	11,858
Additions	46	0	46
Depreciation of Endowment Asset Investments	(1,080)	(71)	(1,151)
Income for Year	315	25	340
Transferred to Income and Expenditure Account (Note 5)	(439)	(27)	(466)
At 31 July 2001	<u>9,906</u>	<u>721</u>	<u>10,627</u>
Representing:			
Research Endowment Fund	7,520	0	7,520
Other Specific Endowments	2,386	0	2,386
Foundation Research and Development Fund	0	483	483
Other General Endowments	0	238	238
	<u>9,906</u>	<u>721</u>	<u>10,627</u>

19. Revaluation Reserve

	Consolidated and University
	£'000
At 1 August 2000	525
Revaluation in Year	25
Loss on Sale of Investments	(102)
Release to Income and Expenditure Reserve	(305)
At 31 July 2001	<u>143</u>

20. General Reserve

	Consolidated	University
	£'000	£'000
Balance at 1 August 2000	23,861	23,765
Surplus after depreciation of assets at historical cost and after tax	1,405	1,416
Release from Revaluation Reserve	305	305
Balance at 31 July 2001	<u>25,571</u>	<u>25,486</u>

21. Post Balance Sheet Events

By mid-November 2001, the Market Value of the Investments shown at Notes 11 and 12 had decreased by an average of 5.55% compared to 31 July 2001, due to the continuing volatility in the Stock Market. These Investments are held for the long term and the present decline in value is unlikely to have any adverse impact on the University's liquidity or financial strength.

On 1 August 2001, the University commenced a Joint Venture with South East Essex College for the provision of Higher Education courses at Southend-on-Sea validated by the University. The University will receive a share of the HEFCE Recurrent Grant and the fees associated with students who are taught at Southend-on-Sea.

**NOTES TO THE
FINANCIAL STATEMENTS**

22. Capital Commitments

As at 31 July 2001, the University was committed to £4.9m capital expenditure on new buildings (£nil 1999/2000) and £0.8m on refurbishment projects (£0.6m 1999/2000).

In addition, the University was committed to £0.4m capital expenditure on retention payments on the new South Courts III student residences (£1.8m 1999/2000).

23. Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

	Consolidated	
	2000-01	1999-00
	£'000	£'000
Surplus before tax	1,405	675
Depreciation (Note 10)	1,671	1,275
Deferred Capital Grants Released to Income (Note 17)	(435)	(391)
Investment Income (Note 5)	(1,357)	(1,368)
Profit on Sale of Fixed Assets (Note 4)	(326)	(178)
Interest Payable (Note 8)	1,447	1,075
Net Income transferred from Endowments	0	50
(Increase)/Decrease in Stocks	(36)	(17)
(Increase)/Decrease in Debtors	(1,854)	166
(Decrease)/Increase in Creditors	(85)	(73)
(Decrease)/Increase in Provisions	32	(593)
Net Cash Inflow from Operating Activities	<u>462</u>	<u>621</u>

24. Returns on Investment and Servicing of Finance

Income from Endowments	340	368
Income from Fixed Asset Investments	57	134
Income from Short-term Investments	871	780
Interest Paid	(1,217)	(999)
	<u>51</u>	<u>283</u>

25. Capital Expenditure and Financial Investment

Tangible Assets Acquired (Note 10)	(4,159)	(10,352)
Fixed Asset Investments Acquired (Note 11)	(902)	0
Endowment Asset Investments Acquired (Note 12)	0	0
Total Fixed and Endowment Assets Acquired	<u>(5,061)</u>	<u>(10,352)</u>
Receipts from Sale of Tangible Assets	836	737
Receipts from Sale of Fixed Asset Investments	1,781	1,211
Receipts from Sale of Endowment Investments	0	0
Deferred Capital Grants Received (Note 17)	388	156
Endowments Received (Note 18)	46	90
	<u>(2,010)</u>	<u>(8,158)</u>

**NOTES TO THE
FINANCIAL STATEMENTS**

26. Analysis of Changes in Consolidated Financing

	Consolidated	
	2000-01	1999-00
	£'000	£'000
New Liabilities/Loans	2,049	7,770
Capital Repayments	(1,086)	(1,199)
Net Amount of New Loan in Year	963	6,571
Balances at 1 August 2000	20,512	13,941
Balances at 31 July 2001	21,475	20,512

27. Analysis of Changes in Net Debt

	At 31 July 2000 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2001 £'000
Cash at Bank and in Hand	1,449	(1,210)	0	239
Overdraft	(453)	(904)	0	(1,357)
	996	(2,114)	0	(1,118)
Liquid Resources	10,762	1,580	0	12,342
	11,758	(534)	0	11,224
Debt due within one year	(950)	1,086	(1,155)	(1,019)
Debt due after one year	(19,562)	(2,005)	1,111	(20,456)
	(8,754)	(1,453)	(44)	(10,251)

28. Management of Liquid Resources

	2000-01	1999-00
	£'000	£'000
Decrease/(Increase) in Liquid Resources	(1,580)	1,116

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.

USS and LGPS are defined benefit schemes which are externally funded and valued every three years using projected unit method. The UEPS is also a defined benefits scheme with the initial rates of contribution determined by the University and staff nominated Trustees on the advice of the scheme actuary. The initial scheme valuation was made at the end of the first year of operation in July 1998.

The LGPS became a closed scheme in August 1997 and subsequently all non-academic and related staff who are not members of a pension scheme may join the UEPS.

All three schemes are contracted out of the State Earnings-Related Pension Scheme.

**29. Pension Schemes (continued)
Universities Superannuation Scheme**

The assets of the scheme are held in a separate trustee-administered fund. 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 for the year in the Income and Expenditure Account is therefore equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 1999. 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 3.6% per annum and pensions would increase by 2.6% per annum. In relation to the future service liabilities, it was assumed that the valuation rate of interest would be 5.5% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.5% per annum and pensions would increase by 2.5% per annum. The valuation was carried out using the projected unit method.

At the valuation date the market value of the assets of the scheme was £18,870 million (including an estimated £55 million in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £17,427 million, leaving a surplus of assets of £1,443 million. The assets therefore were sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The contribution rate required from institutions for future service benefits alone at the date of valuation was 16.3% of salaries, but it was agreed that the rate will be maintained at 14% of salaries. To fund this reduction of 2.3% for the period of 11 years from the date of valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £561 million of the surplus. It was also agreed, following the valuation, that £201 million of the surplus would be used to fund certain benefit improvements. This left a past service surplus of £681 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2002, when the above rates will be reviewed.

The total pension cost for the University was £2.731 million (1999/2000 £2.517 million).

Local Government Pension Scheme and the University of Essex Pension Scheme

It has not been practical to obtain the additional disclosures required by FRS17, and the information below is therefore based on the SSAP 24 disclosure requirements.

The assumptions and other data which have the most significant effect on the determination of the contribution levels are summarised below:

	<u>LGPS</u>	<u>UEPS</u>
	31 March 1998	31 July 1998
Latest actuarial valuations		
Investment returns per annum	7.5%	9.0%
Salary scale increases per annum	5.25%	7.0%
Pension increases per annum	3.5%	3.5%
Market value of assets at date of last valuation	£1,617m	£20k
Proportion of members' accrued benefits covered by actuarial value of the assets	90.5%	87%
Current employer's contribution rate	10.8%*	11.25%
Current employee's contribution rate	5 or 6%	6%

* WPML LGPS employer's contribution is 9.72%

**NOTES TO THE
FINANCIAL STATEMENTS**

29. Pension Schemes (continued)

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

	2000-01	1999-00
	£'000	£'000
Contribution to USS	2,731	2,517
Contribution to LGPS	514	589
Additional University costs - LGPS	54	54
Contributions to UEPS	229	160
Contributions to Other	11	11
Total Pension Cost	<u>3,539</u>	<u>3,331</u>

30. University Companies

The University owns 100% of the share capital of four companies:

<u>Company</u>	<u>Activity</u>
Wivenhoe Technology Limited	Acquisition, protection and licensing of intellectual property from the University
W P Management Limited	Management of commercial activities at the University

The other companies, University of Essex Environmental Facilities Limited (previously named Wivenhoe Enterprises Limited) and Wivenhoe Building Management Services Limited, did not trade during the year and became dormant on 1 August 2001.

Wivenhoe Technology Limited owns a percentage of the share capital of the following companies:

<u>Company</u>	<u>Activity</u>	<u>% Shares</u>
Immunoporation Limited	Developing cell technology	36.0
ilotron Limited	Developing optical switching	4.6

The investment in Immunoporation Limited, a company incorporated in England, represents 36% of the issued share capital of Ordinary £0.01 shares. Financial statements for the year ended 30 June 2001 show that this company made a retained loss of £7,566 (1999/2000 profit £21,441), and had aggregate capital and reserves showing a deficit of £27,518 (1999/2000 £19,952)

The company also owned 55,560 shares (4.6%) in ilotron Limited, a company exploiting University research in the area of optical networking. It was incorporated in January 2000 with £6,000,000 of initial investment by 3i plc. The shares in ilotron Limited were acquired at nil cost. Due to the severe downturn in the Telecommunications market, ilotron Limited went into receivership on 1 June 2001, owing the University £60,500. This was written off in the 2000/2001 financial year.

31. Hardship Funds

	University	
	2000-01	1999-00
	£'000	£'000
Funding Council Grants	284	275
Interest Earned	3	4
	<u>287</u>	<u>279</u>
Disbursed to Students	<u>287</u>	<u>279</u>
Balance unspent at 31 July 2001	<u>0</u>	<u>0</u>

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 and Expenditure Account.

32. Related Party Transactions

The related parties of the University are the wholly owned subsidiary undertakings (listed in Note 30 of these Financial Statements), the University of Essex Students' Union, the University of Essex Foundation 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 2001 the University paid the Union a grant of £320,900 and provided accommodation free of rent.

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.

Ex Officio Members

Chancellor	Lord Nolan
Pro-Chancellors	The Rt. Revd. John Waine (Chair of Council) Mr Alan Jordan (Vice-Chair of Council) Mr Christopher Pertwee
Vice-Chancellor	Professor Ivor Crewe
Treasurer	Mr Stanley Thomson
Pro-Vice-Chancellors	Professor Geoffrey Crossick Professor Rob Massara Professor David Sanders Professor Michael Sherer

Appointed Members

Mr John Burrow
Sir Robin Mountfield
Mrs Helen Parr

Co-opted Members

Miss Erika Clarke
Mr Peter Glossop
Mrs Daphne Gould
Mr Colin Harker
Mr Alan Hayman
Mr Michael Hughes
Mr Derek Lewis
Mr Tim Melville-Ross
Mr Brian Owen
Mr Peter Rainbird

Elected Members

Professor Joan Busfield
Professor Sajal Lahiri
Professor Jules Lubbock
Professor Gerry McCormack
Professor Ray Meddis
Professor John Scott
Professor Stephen Smith
Dr Sam Steel
Professor Edward Tsang
Professor Raymond Turner

Students' Union Members

President of Students' Union	Ms Tonia Oldham
Vice-President (Finance & Services) of Students' Union	Mr Mark Fielding

Observers

East 15 Acting School	Mr Gordon Hewlett
Two members of non-academic staff:	Sarah Manning-Press Michael Sansom