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## Advisers to the University

### **Bankers**

Lloyds TSB plc

### **Solicitors**

Birkett Long

Mills & Reeve

### **Auditors**

Scrutton Bland

### **Investment Managers**

Merrill Lynch Investment Managers

M & G Securities Limited

### **Insurers**

UM Association Limited

UM Association (Special Risks) Limited



## Introduction

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

	2004-05 £000	2003-04 £000
<b>Total Income</b>	<b>88,752</b>	<b>82,868</b>
Surplus for the Year	1,105	1,942
Exceptional items	1,116	(527)
Surplus for the Year before exceptional items	2,221	1,415
<b>Capital Expenditure</b>	<b>8,467</b>	<b>12,762</b>
<b>Net Assets</b>	<b>67,490</b>	<b>61,307</b>

## Income and Expenditure

A surplus for the year of £1.105m is a creditable performance given that the University fell a little short of its overseas recruitment targets and had to take corrective budgetary action during the year to stay on track. The outturn exceeds the original budget.

The surplus is depressed by several significant non-recurring exceptional items. These include provisions to cover staff restructuring costs and write-off of professional fees on a building project that will not now proceed, partly offset by an exceptional receipt. Eliminating these items gives an underlying recurrent surplus for the year of £2.2m, an improvement over the previous year.

Total income increased by 7%, driven by a 17% increase in income from research grants and contracts and a 9% increase in Funding Council grant.

Staff costs grew by 8% - ahead of the growth in income. I reported last year that the University had embarked on a cost reduction exercise with the objective of achieving £2m savings per year by the start of 2006-07. This

target has been met ahead of schedule and at a lower cost than budgeted, the main reason why there has been an improvement in the underlying performance compared to last year. This initiative has helped to resolve the imbalance between growth of income and staff costs but the University recognises more work needs to be done to ensure increases in costs are contained within affordable levels.

Despite overseas recruitment falling a little short of target, overseas tuition fees still grew by nearly 6%. Growing UK and US competition for these markets, the development of local higher education infrastructure in China and not least, more restrictive visa hurdles imposed by Government, are making it harder to recruit. Essex has traditionally been an international University, with 18% of total income coming from overseas tuition fees alone, so the shortfall is particularly significant.

Research grants and contract income amounted to £14.8m (£12.6m in 2003-04), but more importantly, indirect-costs recovered were a little over £3m, representing 21% of turnover (18% in 2003-04). The strength of the University's research quality is reflected in the award of funding from the ESRC for the UK Longitudinal Studies Centre, worth £13.5m over five years, and the ESRC Research Centre for Microsocial Change, worth £3.3m over five years.

Residences, catering and conference activity generated total income of £13.3m, representing growth of over 7%. A net surplus of £1.3m equates to 10% of turnover (5% in 2003-04). While small in the context of the University, it is worth reporting that the Catering service has finally achieved a modest surplus, following three years of significant losses.

## Capital Projects

Capital expenditure amounted to £8.467m (£12.762m in 2003-04). This was financed by capital grants of £4.149m with the remaining £4.318m funded from the University's own resources.

The University has three major projects in the course of construction. The Southend campus (total cost £27.9m) is funded from external

grants and is expected to be completed by December 2006. At Colchester, work has commenced on a new Social Science Research Centre (total cost £6.9m, 87% funded from external grant), to house the University's Institute of Social and Economic Research and the UK Data Archive. Finally, work is well underway on a new Lecture Hall (total cost £6m, 59% funded from external grant) expected to be complete by September 2006.

## Cash Flow and Debt

Cash inflow from operating activities was £6.0m (£1.8m in 2003-04) resulting from an exceptional increase in year-end creditors and an above average level of provisions set aside in the Income and Expenditure Account to cover future liabilities.

Cash balances held up well, reducing by only £493k over the year, despite the level of internal funding used to finance capital expenditure.

Total debt stood at £45m on 31 July. During the year four loans were re-financed to reduce future interest costs, taking advantage of current competitive market conditions. As a result the University now has only two variable rate term loans, both of which are hedged by a number of interest rate swaps. These ensure that 60% of the University's 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. During the year, the University disinvested £4.5m from one equity fund manager on the grounds of performance, placing £4m with another fund manager and holding the remaining £400k on deposit.

It is pleasing to be able to report an 18% increase in the value of the University's endowments over the year. However, with a market value of £10.9m at the year-end, they are still below their peak value of £11.8m at the end of 1999-00.

Long-term returns remain ahead of benchmark, with the equity fund returning 8.7% per year over the last three years, compared to 7.9% per year for the FTSE All-Share Index. Similarly, the University's fixed interest fund returned 7% per year over the last three years compared to the All Stock Index of 6.6%.

### Pension Funds

The University has so far been disclosing the financial health of its pension funds through the notes to these Financial Statements, as permitted under the transitional reporting arrangements allowed by Financial Reporting Standard 17 (FRS17).

In next year's report, the financial health of the University's two support staff schemes will be included in the prime financial statements for the first time. The impact of this will be to reduce the surplus for the year and reduce net assets. Note 29 in this document shows that had the standard been fully adopted for 2004-05, its impact would have resulted in a further charge to the Income and Expenditure Account of £314k and the inclusion of a pension fund deficit of £14.6m on the consolidated Balance Sheet.

Unfortunately, this particular accounting standard does little to aid a full understanding of the pensions picture for the University. The University's two support staff pension schemes account for only 25% of the total recurrent cost of funding staff pensions. The remaining 75% is accounted for by the Universities Superannuation Scheme (USS) to which academic staff belong, along with all new employees of the University. USS is a pooled scheme that is unable to identify the share of its considerable assets and liabilities that relate to the University, so its financial health cannot be reflected in the prime financial statements.

### Future Developments

The number of new overseas entrants to the University declined in 2005 for the third successive year. While demand is growing in other countries it has not proved sufficient to counteract the downward trend from China. With overseas tuition fees accounting for

18% of total income, this is presenting the University with a significant financial challenge. The University is countering this decline by growing student numbers from other countries and other sources domestically, not least in health related education and in its planned new venture in Southend.

In 2006-07 the Government's new system of variable tuition fees comes on stream, ramping up over three years, providing a source of much needed new income. Having secured agreement with the 'Office for Fair Access', the University intends to charge the maximum permitted fee to home and EU undergraduate students (£3,000 per year), expecting to return 25% of the new income stream in the form of enhanced student financial support and other measures designed to ensure that no student is deterred from applying to Essex on the grounds of perceptions about increased debt. Taking the cost of the new bursary scheme into account, along with existing fees, the extra new income available to the University equates to only £1,350 per student.

Part of the increase will be needed to fund the above inflation increase in the University's pay bill with the full implementation of the nationally agreed 'pay modernisation' framework on 1 August 2006. While the new income stream from variable tuition fees is worth an extra £1,350 per home/EU undergraduate, this is overshadowed by a decline in overseas students, where the average fee at Essex is £9,000. Continuing efforts to reduce recurrent costs will be necessary to counteract this squeeze on income.

There will be benefits from a significant movement towards an economically sustainable funding mechanism for research projects that commences in April 2006. The new system of 'Full Economic Costing' for research grants and contracts has been fully embraced by the University. Before the income streams from newly awarded research projects begin to flow proper, from April 2006, the University has received £1.5m of transitional grant, which has been allocated to 2004-05 (£517k) and 2005-06 (£1.036m).

The financial challenges faced by the higher education sector are significant and will require all of the determination and innovation that have served the University of Essex in the past.

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 the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2003. Its purpose is to help the reader of the Financial Statements understand how the principles have been applied.

The University's Governing Body is its Council. This numbers 35, and comprises 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 especially 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 (HEFCE). The Council has 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 & Strategy Committee, a Remuneration Committee, an Audit & Risk Management Committee, a Health & 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.

Following the Lambert Review and the subsequent publication of the CUC (Committee of University Chairmen) Guide for Members of Higher Education Governing Bodies in the UK a review of the effectiveness of Council was conducted during the year. The review was conducted by a working party of Council members and its terms of reference were to review the role and composition of Council and its committees, to

review the relationship of Council with Senate, to make recommendations and to consider the implications of these for the Charter and Statutes of the University. The report of the working party made a number of recommendations including a reduction in the size of Council, changes to its composition and membership as well as changes to the membership and terms of reference of a number of its key committees. These recommendations were approved by Council and will be implemented in full by August 2007 subject to Privy Council approval.

In respect of its strategic responsibilities, the Council receives recommendations and advice from the Budget Sub-Committee, a committee that reports to Finance & Strategy Committee, made up of the senior management of the University.

The Finance & Strategy Committee recommends to Council the University's annual revenue and capital budgets and monitors financial performance. It also has primary responsibility for governance issues. As a result of the recommendations made by the review of Council Finance & Strategy Committee will meet with greater frequency going forwards having clearly defined delegated powers and allow Council to focus on its supervisory, strategic and monitoring responsibilities.

The Remuneration 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 & Risk Management 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 HEFCE as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior managers attend meetings of the Audit & Risk Management 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 11 representatives on the University Council, each appointed for a two-year period.

A review of Senate is underway in 2005-06 in the light of the Lambert Review and the publication of the CUC Governance Code of Practice.

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.

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

### Risk Management and Internal Control

Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to it by the Charter and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement or loss.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

Council also has responsibility for reviewing the effectiveness of the system of internal control. Measures to manage risk have been put in place, which in many instances, build upon procedures established by the University in recent years. These include:

- The Finance & Strategy Committee regularly reviews the plans and strategic direction of the University. The Finance & Strategy Committee met on six occasions during the year and will meet with greater frequency in 2005-06;
- Consideration of the University's strategy, based upon advice from the Finance & Strategy Committee, forms part of the regular termly meetings of the Council. An audit conducted by HEFCE Audit and Assurance Service in 2005 found a high level of assurance in strategic management;
- Oversight of the University's risk management activity by the Audit & Risk Management Committee;
- Receipt by the Audit & Risk Management Committee of an annual report from the Head of Internal Audit, which includes an independent opinion on the adequacy and effectiveness of the University's system of internal control. The Committee also receives a report on each audit assignment, together with recommendations for improvement made by Internal Audit;
- Receipt by Council of an annual report from the Chairman of the Audit & Risk Management Committee concerning internal control, governance and risk management;
- A system of key performance and risk indicators;
- An organisation-wide risk register, with a robust risk prioritisation methodology based on risk ranking and costs and benefits of action to mitigate or avoid risks identified which is updated annually and submitted to both the Audit & Risk Management Committee and Council;

- A Risk Management Group composed of senior management, to consider and prioritise new risks as these are identified, to review the risk register on, at minimum, an annual basis, and to ensure that risk management action plans are in place.

The review of the effectiveness of the system of internal control is informed by the work of Internal Audit. The University operates an Internal Audit Consortium established jointly with the Colchester Institute. The Consortium operated to standards defined in the HEFCE Audit Code of Practice and Government Internal Audit Guidelines. The work of Internal Audit is subject to periodic review by the HEFCE Audit & Assurance Service. Such a review was conducted in 2005 and found a satisfactory level of assurance for audit arrangements, making one recommendation that has been accepted and adopted. Internal Audit submits regular reports to Audit & Risk Management Committee, which include an independent opinion on the adequacy and effectiveness of the system of internal control in the areas under review, together with recommendations for improvement whose implementation is monitored by Audit & Risk Management Committee.

The key elements of the University's system of internal control (addressing business, operational and compliance as well as financial risks), which is designed to discharge the responsibilities of the Council, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic departments and administrative sections;
- a comprehensive 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 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 & Risk Management Committee and Council;
- a Risk Register which is updated and approved annually and which contains risk weightings (of likelihood and impact) which inform the internal audit planning process;
- a professional internal audit team whose annual programme is approved by the Audit & Risk Management Committee.

The Audit & Risk Management Committee, on behalf of Council, has reviewed the effectiveness of the University's system of internal control. The review is informed by the work of the Internal Audit, the work of those managers within the University who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter.

## Responsibilities of the Council

The Council of the University is responsible for the administration and management of the affairs of the University and is required to publish 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.

We have audited the Financial Statements on pages 11 to 33, 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 9, the Council is responsible for ensuring that Financial Statements are prepared. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Treasurer's 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 Treasurer's 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 Auditing Standards 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 2005, 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

19 December 2005

### 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.

### 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

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 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.

Where the University's share of assets and liabilities within a defined benefit scheme cannot be determined, the scheme is treated as a defined contribution scheme.

### 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 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.

### 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 - five years;
- 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, 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.

## Consolidated Income and Expenditure Account

For the year ended 31 July 2005

	Note	2004-05 £'000	2003-04 £'000
<b>Income</b>			
Funding council grants	1	28,076	25,772
Tuition fees and educational contracts	2	26,964	25,574
Research grants and contracts	3	14,782	12,631
Other income	4	18,388	18,386
Endowment and investment income	5	899	913
		<b>89,109</b>	83,276
Less: share of income in joint venture		(357)	(408)
<b>Total Income</b>		<b>88,752</b>	82,868
<b>Expenditure</b>			
Staff costs	7	54,506	50,349
Other operating expenses	8	27,843	25,313
Depreciation	10	2,674	2,516
Interest paid	9	2,472	2,646
<b>Total Expenditure</b>	10	<b>87,495</b>	80,824
Surplus on continuing operations after depreciation		<b>1,257</b>	2,044
Share of operating loss in joint venture		(152)	(102)
<b>Surplus on continuing operations after depreciation and joint ventures losses</b>		<b>1,105</b>	1,942
The surplus for the year has been allocated as follows:			
Transfer of surplus to endowment funds		22	84
Transfer of surplus to reserves	6	1,083	1,858
<b>Surplus for the year</b>		<b>1,105</b>	1,942

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

## Balance Sheet

As at 31 July 2005

	Note	2005 £'000	Consolidated 2004 £'000	2005 £'000	University 2004 £'000
<b>Fixed Assets</b>					
Tangible fixed assets	11	96,724	91,269	72,914	66,978
Investments	12	474	517	15,557	20,829
Investment in joint ventures					
Share of gross assets		98	156	0	0
Share of gross liabilities		(482)	(388)	0	0
		<b>96,814</b>	91,554	<b>88,471</b>	87,807
<b>Endowment Asset Investments</b>	13	<b>10,952</b>	9,313	<b>10,952</b>	9,313
<b>Current Assets</b>					
Stocks and Stores		532	372	509	346
Debtors	14	8,584	6,523	8,614	28,694
Debtors - amounts due after more than one year	14	573	705	22,352	705
Investments		0	7,604	0	7,604
Cash at bank and in hand		7,385	274	6,767	182
		<b>17,074</b>	15,478	<b>38,242</b>	37,531
<b>Creditors - amounts falling due within one year</b>	15	<b>(13,486)</b>	(10,507)	<b>(13,294)</b>	(10,969)
<b>Net Current Assets</b>		<b>3,588</b>	4,971	<b>24,948</b>	26,562
<b>Total Assets less Current Liabilities</b>		<b>111,354</b>	105,838	<b>124,371</b>	123,682
<b>Creditors - amounts falling due after more than one year</b>	16	<b>(42,652)</b>	(43,947)	<b>(42,652)</b>	(49,176)
<b>Provisions for Liabilities and Charges</b>	17	<b>(1,212)</b>	(584)	<b>(1,212)</b>	(584)
<b>Net Assets</b>		<b>67,490</b>	61,307	<b>80,507</b>	73,922
<b>Deferred Capital Grants and Gifts</b>	18	<b>23,028</b>	19,628	<b>23,028</b>	19,628
<b>Endowments</b>					
Specific	19	10,658	9,061	10,658	9,061
General	19	294	252	294	252
		<b>10,952</b>	9,313	<b>10,952</b>	9,313
<b>Reserves</b>					
Revaluation reserve	20	154	93	154	93
General reserve	21	33,356	32,273	46,373	44,888
		<b>33,510</b>	32,366	<b>46,527</b>	44,981
<b>Total Funds</b>		<b>67,490</b>	61,307	<b>80,507</b>	73,922

The Financial Statements on pages 11 to 33 were approved by the Council of the University on 19 December 2005 and signed by:

**Professor I. Crewe**  
Vice-Chancellor

**D. Lewis**  
Treasurer

**A. Connolly**  
Director of Finance

## Consolidated Cash Flow Statement

For the year ended 31 July 2005

	Note	2004-05 £'000	2003-04 £'000
Net Cash Inflow from Operating Activities	23	6,042	1,780
Returns on Investments and Servicing of Finance	24	(1,582)	(1,733)
Capital Expenditure and Financial Investment	25	(3,613)	(2,072)
<b>Cash Inflow before use of Liquid Resources and Financing</b>		<b>847</b>	(2,025)
Management of Liquid Resources	27	7,604	1,155
Financing	26	(1,292)	1,306
<b>Increase in Cash in the period</b>	<b>28</b>	<b>7,159</b>	<b>436</b>
<b>Reconciliation of Net Cash Flow to Movement in Net Funds / (Debt)</b>			
Increase in cash in the year		7,159	436
Cash inflow from management of liquid resources	27	(7,604)	(1,155)
Cash inflow from new secured loan	26	(19,000)	(2,252)
Changes in net debt from cash flows	26	20,292	946
<b>Movement in Net Debt in Period</b>		<b>847</b>	(2,025)
<b>Net Debt at 1 August 2004</b>		<b>(38,144)</b>	(36,119)
<b>Net Debt at 31 July 2005</b>	<b>28</b>	<b>(37,297)</b>	(38,144)

## Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2005

	Note	2004-05 £'000	2003-04 £'000
<b>Recognised gains relating to the year</b>			
Surplus on continuing operations after depreciation of assets at cost, disposal of assets and tax		1,105	1,942
Appreciation of Investments		61	0
Appreciation of endowment asset investments	19	1,596	393
New Endowments	19	21	341
<b>Total Recognised gains relating to the year</b>		<b>2,783</b>	2,676
<b>Reconciliation</b>			
Opening reserves and endowments		41,679	39,003
Total recognised gains for the year		2,783	2,676
<b>Closing Reserves and Endowments</b>		<b>44,462</b>	41,679

## Notes to the Financial Statements

For the year ended 31 July 2005

	2004-05 £'000	2003-04 £'000
<b>1. Funding Council Grants</b>		
Recurrent (teaching)	17,168	15,154
Recurrent (research)	8,418	8,259
Recurrent (other)	10	9
Special initiatives	1,827	1,932
Deferred capital grants released in year - buildings (note 18)	653	418
	<b>28,076</b>	<b>25,772</b>
<b>2. Tuition Fees and Educational Contracts</b>		
Full-time HE tuition fees		
UK and EU students charged home fees	7,736	7,181
Students charged overseas and other fees	15,919	15,051
Part-time credit-bearing HE tuition fees	603	627
Non-credit-bearing tuition fees	2,122	2,409
NHS contracts	411	95
Research support grants	173	211
	<b>26,964</b>	<b>25,574</b>
<b>3. Research Grants and Contracts</b>		
Research Councils	9,613	7,526
UK-based charities	907	873
UK central government, local authorities, health and hospital authorities	1,711	1,401
UK industry, commerce and public corporations	973	1,081
European Union government bodies	1,105	1,130
European Union other	3	68
Other overseas	256	257
Other sources	199	156
Deferred capital grants released in year - equipment (note 18)	15	139
	<b>14,782</b>	<b>12,631</b>
<b>4. Other Income</b>		
Other services rendered:		
Course validation fees	59	52
Teaching companies	0	10
UK central government, local authorities, health and hospital authorities	558	342
UK industry, commerce and public corporations	410	320
European Union government bodies	25	584
Other overseas	1	4
Other sources	308	322
Residences, catering and conferences	13,366	12,466
Deferred capital grants (non-funding council) released in year - buildings (note 18):	50	50
Deferred capital grants (non-funding council) released in year - equipment (note 18):	31	31
Day Nursery	816	736
Profit on disposal of fixed assets	0	527
Other income	2,764	2,942
	<b>18,388</b>	<b>18,386</b>

## Notes to the Financial Statements

For the year ended 31 July 2005

	<b>2004-05</b>	2003-04
	<b>£'000</b>	£'000
<b>5. Endowment and Investment Income</b>		
Income from fixed asset investments	<b>8</b>	15
Income from specific endowment asset investments (note 19)	<b>336</b>	344
Income from general endowment asset investments (note 19)	<b>9</b>	9
Income from current asset investments	<b>546</b>	545
	<b>899</b>	913

### 6. Surplus on Continuing Operations for the Year

The surplus on continuing operations after depreciation of assets at cost, disposals of assets and tax is made up as follows:

University's surplus for the year	<b>1,065</b>	2,133
Surplus generated by subsidiary undertakings and transferred to the University under Gift Aid	<b>420</b>	257
Other (deficits) generated by subsidiary undertakings and joint ventures	<b>(402)</b>	(532)
	<b>1,083</b>	1,858

### 7. Staff Costs

Wages and salaries	<b>45,271</b>	41,984
Social security costs	<b>3,600</b>	3,325
Other pension costs (note 29)	<b>5,635</b>	5,040
	<b>54,506</b>	50,349

Emoluments of the Vice-Chancellor for year to 31 July	<b>160</b>	150
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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 £24,897 (2003-04 £23,287).

No higher paid member of staff received compensation for loss of office during the two years to 31 July 2005.

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

	<b>Number of staff</b>	Number of staff
£70,000-£79,999	<b>6</b>	3
£80,000-£89,999	<b>3</b>	2
	<b>9</b>	5

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 and teaching fellow	<b>510</b>	499
Research officer	<b>123</b>	129
Technical	<b>64</b>	63
Senior administrative	<b>136</b>	124
Clerical and secretarial	<b>273</b>	280
Other	<b>479</b>	515
	<b>1,585</b>	1,610

## Notes to the Financial Statements

For the year ended 31 July 2005

	2004-05 £'000	2003-04 £'000
<b>8. Other Operating Expenses</b>		
Audit fees	108	110
Books and periodicals	1,318	1,329
Consumables and laboratory expenditure	733	643
Equipment	2,754	2,817
Exceptional Items	1,633	0
Food and Drink	783	748
Gas, water and electricity	1,955	1,497
Grants to Students' Union	379	352
Insurance	345	387
Long-term maintenance programme	2,017	1,758
Minor works	351	690
Other expenses	8,256	7,161
Printing and stationery	889	1,013
Rates	149	203
Rental of premises	198	350
Repairs and routine maintenance of estates	1,117	1,029
Research survey fieldwork	2,171	2,467
Scholarships (fee waivers and bursaries)	1,406	1,613
Travel and subsistence	1,281	1,146
	<b>27,843</b>	<b>25,313</b>
Audit fees include:		
External audit	44	44
Other services supplied by external audit	16	21
Internal audit	48	45
	<b>108</b>	<b>110</b>

Exceptional items represent amounts of £670k written off in respect of a student residences project, £375k provided for in respect of a potential VAT liability resulting from the purchase of Universal Accommodation Group Limited and £588k in respect of early retirements and severances paid and provided for.

### 9. Interest Payable

Loans not wholly repayable within five years	2,472	2,646
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### 10. Analysis of 2004 – 05 Expenditure by Activity

	Staff Costs £'000	Other Operating Expenses £'000	Depreciation £'000	Interest Paid £'000	Total £'000	2003-04 £'000
Academic departments and centres	29,424	4,218	151	0	33,793	31,807
Academic services	3,418	2,452	0	0	5,870	5,691
Research grants and contracts	6,686	5,012	0	0	11,698	10,363
Residences, catering and conferences	3,820	4,584	1,281	2,346	12,031	11,856
Premises	3,051	3,950	1,188	115	8,304	7,662
Administration	4,981	1,693	45	0	6,719	6,286
Other services rendered	639	758	0	0	1,397	1,560
General educational	658	2,925	0	0	3,583	2,483
Student and staff facilities	1,698	725	9	11	2,443	2,318
Early retirements and severances	0	588	0	0	588	78
Other expenses	131	938	0	0	1,069	720
Total per Income and Expenditure Account	<b>54,506</b>	<b>27,843</b>	<b>2,674</b>	<b>2,472</b>	<b>87,495</b>	<b>80,824</b>

The depreciation charge has been funded by:

Deferred capital grants released (Note 18)	676
General income	1,998
	<b>2,674</b>

## Notes to the Financial Statements

For the year ended 31 July 2005

### 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
<b>Cost</b>						
At 1 August 2004	78,775	2,474	81,249	24,699	271	106,219
Additions	<b>8,292</b>	<b>173</b>	<b>8,465</b>	<b>0</b>	<b>2</b>	<b>8,467</b>
Transfer	<b>(361)</b>	<b>361</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Disposals	<b>(338)</b>	<b>0</b>	<b>(338)</b>	<b>0</b>	<b>0</b>	<b>(338)</b>
At 31 July 2005	<b>86,368</b>	<b>3,008</b>	<b>89,376</b>	<b>24,699</b>	<b>273</b>	<b>114,348</b>
<b>Depreciation</b>						
At 1 August 2004	12,396	1,875	14,271	443	236	14,950
Charge for year	<b>1,824</b>	<b>367</b>	<b>2,191</b>	<b>463</b>	<b>20</b>	<b>2,674</b>
Disposals	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
At 31 July 2005	<b>14,220</b>	<b>2,242</b>	<b>16,462</b>	<b>906</b>	<b>256</b>	<b>17,624</b>
<b>Net book value</b>						
At 31 July 2005	<b>72,148</b>	<b>766</b>	<b>72,914</b>	<b>23,793</b>	<b>17</b>	<b>96,724</b>
At 1 August 2004	66,379	599	66,978	24,256	35	91,269

Additions to University land and buildings in the year includes expenditure of £3.8m on the construction of the Southend campus and £0.9m on the completion of the new Networks Centre.

University Land and Buildings include leasehold properties with a net book value of £1.641m (2003-04 £1.686m)

### 12. Investments

	2004-05 £'000	Consolidated 2003-04 £'000	2004-05 £'000	University 2003-04 £'000
At 1 August 2004	<b>517</b>	625	<b>20,829</b>	20,502
Additions	<b>0</b>	0	<b>0</b>	402
Disposal of investments	<b>(143)</b>	(147)	<b>(5,372)</b>	(114)
Appreciation in value of investments	<b>39</b>	39	<b>39</b>	39
Revaluations credited to the Revaluation Reserve	<b>61</b>	0	<b>61</b>	0
At 31 July 2005	<b>474</b>	517	<b>15,557</b>	20,829
Comprising:				
Treasury gilts	<b>256</b>	241	<b>256</b>	241
Zero dividend preference shares	<b>170</b>	228	<b>170</b>	228
University of Essex Research Park Holdings Ltd	<b>0</b>	0	<b>12,191</b>	17,370
University of Essex Research Park Ltd	<b>0</b>	0	<b>0</b>	50
Universal Accommodation Group Ltd	<b>0</b>	0	<b>2,893</b>	2,893
Other investments	<b>48</b>	48	<b>47</b>	47
	<b>474</b>	517	<b>15,557</b>	20,829

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 2005

### 13. Endowment Assets

	2004-05 £'000	2003-04 £'000
Balance at 1 August 2004	9,313	8,495
Additions	4,972	341
Disposals	(4,951)	0
Appreciation of investments	1,596	393
Excess of Income over Expenditure	22	84
At 31 July 2005	<b>10,952</b>	9,313
Represented by:		
Fixed interest stocks	1,303	1,239
Equities	8,719	7,648
Bank balances and deposits	930	426
Total endowment assets at market value	<b>10,952</b>	9,313
Total endowment assets at cost	<b>9,113</b>	10,188

### 14. Debtors

	2004-05 £'000	Consolidated 2003-04 £'000	2004-05 £'000	University 2003-04 £'000
Trade debtors	3,965	2,783	3,747	2,548
Student fees	656	415	656	415
Research debtors	3,681	2,868	3,681	2,868
Prepayments and accrued income	150	325	78	488
Amount owed by Students' Union within one year	132	132	132	132
Amounts owed by subsidiary undertakings	0	0	320	22,243
Total amounts falling due within one year	<b>8,584</b>	6,523	<b>8,614</b>	28,694
Long-term debtor - Students' Union	573	705	573	705
Long-term debtor - Universal Accommodation Group	0	0	21,779	0
	<b>9,157</b>	7,228	<b>30,966</b>	29,399

On acquisition of Universal Accommodation Group Ltd, the University loaned the company £24.699m in order for the company to repay its debt.

### 15. Creditors: Amounts Falling Due Within One Year

	2004-05 £'000	Consolidated 2003-04 £'000	2004-05 £'000	University 2003-04 £'000
Mortgages and unsecured loans	2,030	2,027	2,030	2,027
Payments received in advance	2,126	1,113	2,126	1,113
Research creditors	1,029	1,597	1,029	1,597
Trade creditors	3,562	1,823	3,496	1,777
Amounts owed to subsidiary undertakings	0	0	149	459
Social security and other taxation payable	1,173	1,089	1,158	1,082
Accruals	3,566	2,810	3,306	2,866
Bank overdraft	0	48	0	48
	<b>13,486</b>	10,507	<b>13,294</b>	10,969

## Notes to the Financial Statements

For the year ended 31 July 2005

### 16. Creditors: Amounts Falling Due After More Than One Year

	2004-05 £'000	Consolidated 2003-04 £'000	2004-05 £'000	University 2003-04 £'000
Loans secured on property:				
repayable between one and two years	2,030	2,011	2,030	2,011
repayable between two and five years	6,090	6,033	6,090	6,033
repayable after five years	34,532	35,745	34,532	35,745
Unsecured loans:				
repayable between one and two years	0	17	0	17
repayable between two and five years	0	57	0	57
repayable after five years	0	84	0	84
Other amounts due after more than one year	0	0	0	5,229
	<b>42,652</b>	43,947	<b>42,652</b>	49,176

Loans of £44.7m (£45.9m 2003-04) secured on the freehold property of the University are repayable by instalments falling due between 1 August 2005 and 10 June 2029.

The University has 6 interest rate swaps reflecting its policy of ensuring circa 60% 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

	Part-time Employees £'000	Future Severances £'000	Consolidated and University Pension Deficiency and Early Retirement £'000	VAT Contingency £'000	Total £'000
At 1 August 2004	218	0	366	0	584
Utilised in year	0	0	(108)	0	(108)
Transfer from Income and Expenditure Account	2	343	16	375	736
At 31 July 2005	<b>220</b>	<b>343</b>	<b>274</b>	<b>375</b>	<b>1,212</b>

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 has been made to meet a potential VAT liability of up to £375,000 arising from the development of the University Quays student residential accommodation.

## Notes to the Financial Statements

For the year ended 31 July 2005

### 18. Deferred Capital Grants and Gifts

	Consolidated and University		
	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2004			
Buildings	13,975	5,607	19,582
Equipment	0	46	46
	13,975	5,653	19,628
Receivable			
Buildings	354	3,795	4,149
Equipment	0	0	0
	354	3,795	4,149
Released to Income and Expenditure Account (notes 1, 3 and 4):			
Buildings	(653)	(50)	(703)
Equipment	0	(46)	(46)
	(653)	(96)	(749)
At 31 July 2005			
Buildings	13,676	9,352	23,028
Equipment	0	0	0
	13,676	9,352	23,028

Grants received in the year were £0.4m from HEFCE for minor works and £3.8m from the East of England Development Agency and the Office of the Deputy Prime Minister for the new Southend campus development.

Grants released to the Income and Expenditure Account are to fund depreciation charges as shown in note 10 and include £73k released in respect of a Funding Council grant expended on revenue items.

### 19. Endowments

	Consolidated and University		
	Specific £'000	General £'000	Total £'000
At 1 August 2004	9,061	252	9,313
Additions	21	0	21
Appreciation of endowment asset investments	1,554	42	1,596
Income for year (note 5)	336	9	345
Expenditure for year	(314)	(9)	(323)
At 31 July 2005	10,658	294	10,952
Representing:			
Research Endowment Fund	8,287	0	8,287
Other specific endowments	2,371	0	2,371
General endowments	0	294	294
	10,658	294	10,952

### 20. Revaluation Reserve

	Consolidated and University £'000
At 1 August 2004	93
Revaluation	61
At 31 July 2005	154

## Notes to the Financial Statements

For the year ended 31 July 2005

### 21. General Reserve

	<b>Consolidated £'000</b>	<b>University £'000</b>
At 1 August 2004	32,273	44,888
Surplus after depreciation of assets at historical cost and after tax	<b>1,083</b>	<b>1,485</b>
At 31 July 2005	<b>33,356</b>	<b>46,373</b>
Represented by:		
Reserves held by academic departments	<b>5,580</b>	
Reserves held by administrative sections	<b>331</b>	
Capital buildings fund	<b>1,841</b>	
Subsidiaries	<b>(441)</b>	
General reserve	<b>26,045</b>	
	<b>33,356</b>	

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

### 22. Capital Commitments

As at 31 July 2005, the University was committed to £25.3m capital expenditure on new buildings (£0.58m 2003-04) including £19.1m for construction of the Southend campus and £5.5m for a new lecture theatre building. These two projects will be funded by capital grants amounting to £20.6m from HEFCE, EEDA, and GoEast/ODPM.

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

	<b>Consolidated</b>	
	<b>2004-05 £'000</b>	<b>2003-04 £'000</b>
Surplus on continuing operations after depreciation of assets at cost	<b>1,083</b>	1,858
Depreciation (note 10)	<b>2,674</b>	2,516
Deferred capital grants released to income (note 18)	<b>(749)</b>	(638)
Revaluations credited to the Income & Expenditure Account	<b>(39)</b>	(39)
Decrease in investment assets	<b>152</b>	102
(Increase) in stocks	<b>(160)</b>	(43)
(Increase) in debtors (note 14)	<b>(1,929)</b>	(1,584)
(Decrease)/increase in creditors	<b>2,462</b>	(1,326)
(Decrease)/increase in provisions (note 17)	<b>628</b>	(272)
Loss/(Profit) on sale of tangible fixed assets	<b>338</b>	(527)
Endowment and investment income	<b>(890)</b>	(913)
Interest payable (note 9)	<b>2,472</b>	2,646
Net Cash Inflow from Operating Activities	<b>6,042</b>	1,780

## Notes to the Financial Statements

For the year ended 31 July 2005

	<b>Consolidated</b>	
	<b>2004-05</b>	2003-04
	<b>£'000</b>	£'000
<b>24. Returns on Investment and Servicing of Finance</b>		
Income from endowment asset investments	<b>344</b>	353
Income from investments	<b>546</b>	560
Interest paid	<b>(2,472)</b>	(2,646)
	<b>(1,582)</b>	(1,733)
<b>25. Capital Expenditure and Financial Investment</b>		
Tangible fixed assets acquired (note 11)	<b>(8,467)</b>	(12,762)
Accrual in respect of Network Centre	<b>562</b>	0
	<b>(7,905)</b>	(12,762)
Receipts from sale of tangible fixed assets	<b>0</b>	822
Receipts from sale of investments	<b>143</b>	147
Deferred capital grants received (note 18)	<b>4,149</b>	9,721
	<b>(3,613)</b>	(2,072)
<b>26. Consolidated Financing</b>		
New loans - cashflow	<b>19,000</b>	27,000
Acquisition of Universal Accommodation Group	<b>0</b>	(24,748)
Net cash inflow	<b>19,000</b>	2,252
Loan repayments	<b>(20,292)</b>	(946)
	<b>(1,292)</b>	1,306
Balances at 1 August	<b>45,974</b>	44,668
Balances at 31 July	<b>44,682</b>	45,974
<b>27. Management of Liquid Resources</b>		
Decrease in current asset investments	<b>7,604</b>	1,155

### 28. Analysis of Changes in Net Debt

	At 1 August 2004 £'000	<b>Cash Flows £'000</b>	<b>Other Changes £'000</b>	At 31 July 2005 £'000
Cash at bank and in hand	274	<b>7,111</b>	<b>0</b>	<b>7,385</b>
Overdraft	(48)	<b>48</b>	<b>0</b>	<b>0</b>
	226	<b>7,159</b>	<b>0</b>	<b>7,385</b>
Current asset investments	7,604	<b>(7,604)</b>	<b>0</b>	<b>0</b>
	7,830	<b>(445)</b>	<b>0</b>	<b>7,385</b>
Debt due within one year	(2,027)	<b>2,027</b>	<b>(2,030)</b>	<b>(2,030)</b>
Debt due after one year	(43,947)	<b>(735)</b>	<b>2,030</b>	<b>(42,652)</b>
	(38,144)	<b>847</b>	<b>0</b>	<b>(37,297)</b>

## Notes to the Financial Statements

For the year ended 31 July 2005

### 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 are 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:

	<b>2004-05</b>	2003-04
	<b>£'000</b>	£'000
Contribution to USS	<b>4,152</b>	3,660
Contribution to LGPS	<b>536</b>	524
LGPS additional University costs to fund past service deficiency	<b>381</b>	275
Contributions to UEPS	<b>562</b>	578
Contributions to other	<b>4</b>	3
<b>Total pension cost</b>	<b>5,635</b>	5,040

#### Universities Superannuation Scheme (USS)

This is a defined benefit scheme which is externally funded and is valued every three years by a professionally qualified independent actuary using the projected unit method, with the rates of contribution being determined by the trustees upon the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme and are accounted for on the basis of charging the cost of providing pensions over the period during which the institutions benefit from the employees' services.

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 complete actuarial valuation of the scheme was at 31 March 2002. 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 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities, it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum.

At the valuation date, the market value of the assets of the whole scheme was £19,938 million and the value of the past service liabilities was £19,776 million, leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

## Notes to the Financial Statements

For the year ended 31 July 2005

### Universities Superannuation Scheme (continued)

The institution contribution rate required for future service benefits alone at the date of valuation was 14.25% of salaries, but it was agreed that the rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5m million of the surplus. This left a past service surplus of £79.5 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 2005, when the above rates will be reviewed.

The contribution rate for employees 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 covering both future service and deficiency payments were 19.87% until 31 March 2005 (manual workers 16.55%) and 24.10% thereafter ( manual workers - 28.92%) for the University. Employees contributed 6% throughout the period (5% for manual workers).

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 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	<b>At</b>	At	At
	<b>31-Jul-05</b>	31-Jul-04	31-Jul-03
	%	%	%
Rate of increase in salaries	<b>4.20</b>	4.60	4.30
Rate of increase in pension payments	<b>2.70</b>	2.80	2.50
Expected return on assets	<b>6.85</b>	6.93	7.22
Discount rate for liabilities	<b>5.00</b>	5.70	5.40
Inflation assumptions	<b>2.70</b>	2.80	2.50

The assets in the scheme (of which the University's estimated share is 1.0%) and the expected rate of return were:

	<b>Long-term rate of return expected at 31-Jul-05</b>	<b>Whole fund value at 31-Jul-05 £'000</b>	Long-term rate of return expected at 31-Jul-04	Whole fund value at 31-Jul-04 £'000	Long-term rate of return expected at 31-Jul-03	Whole fund value at 31-Jul-03 £'000
	%		%		%	
Equities	<b>7.50</b>	<b>1,701,000</b>	7.50	1,292,000	8.00	1,180,000
Gilts	<b>4.40</b>	<b>273,000</b>	5.00	184,000	4.70	168,000
Bonds	<b>5.00</b>	<b>122,000</b>	5.70	175,000	5.40	159,000
Property	<b>6.50</b>	<b>288,000</b>	6.50	218,000	6.70	200,000
Cash	<b>4.75</b>	<b>54,000</b>	4.50	28,000	3.50	26,000
<b>Total market value of assets</b>	<b>6.85</b>	<b>2,438,000</b>	6.93	1,897,000	7.22	1,733,000
University of Essex estimated asset share		<b>25,028</b>		22,583		20,922
Present value of scheme liabilities		<b>(37,629)</b>		(35,331)		(33,874)
<b>(Deficit) in the scheme</b>		<b>(12,601)</b>		(12,748)		(12,952)
		<b>67%</b>		64%		62%

## Notes to the Financial Statements

For the year ended 31 July 2005

### Local Government Pension Scheme (continued)

#### History of Experience Gains and Losses

	2004-05 £'000	2003-04 £'000	2002-03 £'000	2001-02 £'000
Difference between the expected and actual return on scheme assets:				
Amount	3,294	469	(368)	(4,400)
Percentage of scheme assets	13.16%	2.08%	1.76%	22.85%
Experience gains arising on the scheme liabilities:				
Amount	484	0	0	1
Percentage of scheme liabilities	1.29%	0.00%	0.00%	0.00%
Total amount that would be recognised in the Statement of Total Recognised Gains and Losses:				
Amount	426	469	(3,010)	(4,399)
Percentage of the present value of scheme liabilities	1.13%	1.33%	8.89%	15.13%

Under the transitional arrangements of Financial Reporting Standard (FRS) 17, no provision has been made by the University for the institution's share of the deficit of the scheme. If provision were made, the following entries would be made:

	At 31-Jul-05 £'000	At 31-Jul-04 £'000
<b>Balance Sheet Presentation</b>		
Net assets excluding FRS 17 pension (liability)	67,490	61,307
Net pension (liability)	(12,601)	(12,748)
<b>Net assets including FRS 17 pension (liability)</b>	<b>54,889</b>	<b>48,559</b>

#### General Reserves Note

Income and expenditure account excluding FRS 17 pension (liability)	33,356	32,273
Pension scheme reserve	(12,601)	(12,748)
<b>Income and expenditure account including FRS 17 pension (liability)</b>	<b>20,755</b>	<b>19,525</b>

Under the transitional arrangements of FRS 17, the University's pension charge for the year calculated under FRS 17 assumptions is not included in the Financial Statements (as this is currently calculated on a SSAP 24 basis). If the charge had been included on an FRS 17 basis, the following entries would be made:

#### Analysis of amount charged to income and expenditure account

Current service charge	(785)	(825)
Past service costs	(83)	(38)
<b>Total operating charge</b>	<b>(868)</b>	<b>(863)</b>

#### Analysis of net return on pension scheme

Expected return on pension scheme assets	1,566	1,500
Interest on pension liabilities	(2,004)	(1,818)
<b>Net return</b>	<b>(438)</b>	<b>(318)</b>

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

Actual return less expected return on pension scheme assets	3,294	469
Experience gains and losses arising on the scheme liabilities	(484)	0
Changes in assumptions underlying the present value of scheme liabilities	(2,384)	0
<b>Actuarial gain/(loss) recognised in the STRGL</b>	<b>426</b>	<b>469</b>

#### Movements in (deficit) during the year

(Deficit) in scheme at 1 August 2004	(12,748)	(12,952)
Movements in the year:		
Current service charge	(785)	(825)
Contributions	1,027	916
Past service costs	(83)	(38)
Net interest/return on assets	(438)	(318)
Actuarial gains	426	469
<b>(Deficit) in scheme at 31 July 2005</b>	<b>(12,601)</b>	<b>(12,748)</b>

## Notes to the Financial Statements

For the year ended 31 July 2005

### 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 2004-05 were 14.1% for the University and 6% for employees. With effect from 1 August 2005, the University rate increased to 18%.

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 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31-Jul-05	At 31-Jul-04	At 31-Jul-03
	%	%	%
Rate of increase in salaries	3.7	3.9	3.8
Rate of increase in pension payments	2.7	2.9	2.8
Expected return on assets	6.5	7.5	7.2
Discount rate for liabilities	5.0	5.7	5.5
Inflation assumptions	2.7	2.9	2.8

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

	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	Long-term rate of return expected at 31-Jul-03 %	Whole fund value at 31-Jul-03 £'000
Equities	6.9	5,056	7.5	3,228	7.2	2,001
Cash	4.5	154	4.0	41	4.0	31
Total market value of assets		5,210		3,269		2,032
Present value of scheme liabilities		(7,176)		(4,262)		(2,786)
(Deficit) in the scheme		(1,966)		(993)		(754)
		-73%		-77%		-73%

### History of Experience Gains and Losses

	2004-05 £'000	2003-04 £'000	2002-03 £'000	2001-02 £'000
Difference between the expected and actual return on scheme assets:				
Amount	676	72	(93)	(312)
Percentage of scheme assets	13.0%	2.2%	-4.6%	-26.2%
Experience gains/(losses) arising on the scheme liabilities:				
Amount	(220)	(71)	141	104
Percentage of scheme liabilities	3.1%	-1.7%	5.1%	7.1%
Total amount that would be recognised in the Statement of Total Recognised Gains and Losses:				
Amount	(938)	115	(444)	(81)
Percentage of the present value of scheme liabilities	13.1%	2.7%	-15.9%	-5.6%

## Notes to the Financial Statements

For the year ended 31 July 2005

### University of Essex Pension Scheme (continued)

Under the transitional arrangements of Financial Reporting Standard (FRS) 17, no provision has been made by the University for the deficit of the scheme. If provision were made, the following entries would be made:

	At 31-Jul-05 £'000	At 31-Jul-04 £'000
--	--------------------------	--------------------------

### Balance Sheet Presentation

Net assets excluding FRS 17 pension (liability)	<b>67,490</b>	61,307
Net pension (liability)	<b>(1,966)</b>	(993)
Net assets including FRS 17 pension (liability)	<b>65,524</b>	60,314

### General Reserves Note

Income and expenditure account excluding FRS 17 pension (liability)	<b>33,356</b>	32,273
Pension scheme reserve	<b>(1,966)</b>	(993)
Income and expenditure account including FRS 17 pension (liability)	<b>31,390</b>	31,280

Under the transitional arrangements of FRS 17, the University's pension charge for the year calculated under FRS 17 assumptions is not included in the Financial Statements (as this is currently calculated on a SSAP 24 basis). If the charge had been included on an FRS 17 basis, the following entries would be made:

### Analysis of amount charged to income and expenditure account

Current service charge		
Past service cost	<b>(714)</b>	(847)
	<b>(16)</b>	0
Total operating charge	<b>(730)</b>	(847)

### Analysis of net return on pension scheme

Expected return on pension scheme assets	<b>281</b>	182
Interest on pension liabilities	<b>(272)</b>	(190)
Net return	<b>9</b>	(8)

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

Actual return less expected return on pension scheme assets	<b>676</b>	72
Experience gains and losses arising on the scheme liabilities	<b>(220)</b>	(71)
Changes in assumptions underlying the present value of scheme liabilities	<b>(1,394)</b>	114
Actuarial gain/(loss) recognised in the STRGL	<b>(938)</b>	115

### Movements in surplus/(deficit) during the year

(Deficit) in scheme at 1 August 2004	<b>(993)</b>	(754)
Movements in the year:		
Current service charge	<b>(714)</b>	(847)
Contributions	<b>586</b>	607
Other finance income	<b>234</b>	1
Other outgoings	<b>(134)</b>	(107)
Past service costs	<b>(16)</b>	0
Net interest/return on assets	<b>9</b>	(8)
Actuarial gains/(losses)	<b>(938)</b>	115
(Deficit) in scheme at 31 July 2005	<b>(1,966)</b>	(993)

## Notes to the Financial Statements

For the year ended 31 July 2005

### 30. University Companies

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

Company	At 31 July 2005 £1 Shares	At 31 July 2004 £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	17,420,002	Holding land on behalf of the University for development as a Research Park.
University of Essex Research Park Ltd	-	-	Development and marketing of a Research Park.
University of Essex Environmental Facilities Ltd	100,000	100,000	Dormant throughout the year
Wivenhoe Building Management Services Ltd	2	2	Dormant throughout the year
Universal Accommodation Group Limited	1	1	Developing student accommodation

Wivenhoe Technology Ltd has a 70% holding in the share capital of Technologica Ltd, a company registered in England.

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

	Year-end date	2004-05 £'000	2003-04 £'000
Wholly-owned subsidiaries:			
Wivenhoe Technology Ltd	31 July	<b>79</b>	(9)
W P Management Ltd	31 July	<b>287</b>	286
University of Essex Research Park Holdings Ltd	31 July	<b>(3)</b>	(1)
Universal Accommodation Group Limited	31 July	<b>(174)</b>	(429)
University of Essex Research Park Ltd	31 July	<b>1</b>	(1)
Technologica Ltd	31 July	<b>(2)</b>	5
		<b>188</b>	(149)

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 2005

### 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 U C (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.

Nesstar Ltd, UC (Suffolk) Ltd and the Carisbrooke-Essex Partnership 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	<b>2004-05</b> <b>£'000</b>	2003-04 £'000
Carisbrooke-Essex Partnership	31 July	<b>(15)</b>	(40)
Nesstar Ltd (unaudited)	30 June	<b>(137)</b>	(63)
U C (Suffolk) Ltd	31-Jul	<b>0</b>	0
		<b>(152)</b>	(103)

### 31. Hardship Funds

	<b>University</b> <b>2004-05</b> <b>£'000</b>	2003-04 £'000
Funding council grants received	<b>350</b>	350
Interest earned	<b>7</b>	4
	<b>357</b>	354
Disbursed to students	<b>321</b>	351
Balance unspent at 31 July	<b>36</b>	3

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 2005

### 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 2005 the University paid the Union a grant of £379,044 (2003-04: £352,244), 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 2005 was £705,000 (2003-04 £837,245), (see note 14).

For the 2004-05 year, the Union's draft income and expenditure account shows the following:

	<b>2004-05</b>	2003-04
	<b>£'000</b>	£'000
Income	<b>1,005</b>	840
Expenditure	<b>1,023</b>	881
Operating (deficit)/surplus before transfers from/(to) reserves	<b>(18)</b>	(41)
Transfers from/(to) reserves	<b>0</b>	0
(Deficit)/surplus after transfers from/(to) reserves	<b>(18)</b>	(41)

The comparative figures for 2003-04 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.

## Five-Year Summary of Financial Position

For the year ended 31 July 2005

	2000-01 £'000	2001-02 £'000	2002-03 £'000	2003-04 £'000	2004-05 £'000
<b>Income and Expenditure Account</b>					
Income					
Funding council grants	20,916	23,078	24,313	25,772	<b>28,076</b>
Tuition fees and educational contracts	17,201	19,213	23,639	25,574	<b>26,964</b>
Research grants and contracts	11,050	10,376	13,280	12,631	<b>14,782</b>
Other income	13,421	14,649	14,704	18,386	<b>18,388</b>
Endowment and investment income	1,356	1,135	1,217	913	<b>899</b>
Total	63,944	68,451	77,153	83,276	<b>89,109</b>
Less share of joint venture income	0	0	(295)	(408)	<b>(357)</b>
Total Income	63,944	68,451	76,858	82,868	<b>88,752</b>
Expenditure					
Staff costs	37,966	41,217	46,122	50,349	<b>54,506</b>
Other operating expenses	21,455	22,565	24,401	25,313	<b>27,843</b>
Depreciation	1,671	1,892	2,038	2,516	<b>2,674</b>
Interest paid	1,447	1,301	1,085	2,646	<b>2,472</b>
Total expenditure	62,539	66,975	73,646	80,824	<b>87,495</b>
Surplus after depreciation of assets at cost	1,405	1,476	3,507	2,044	<b>1,257</b>
Share of operating loss in joint venture	0	0	(137)	(102)	<b>(152)</b>
<b>Surplus for the year</b>	<b>1,405</b>	<b>1,476</b>	<b>3,370</b>	<b>1,942</b>	<b>1,105</b>
Transfer of surplus/(deficit) to endowment funds	(126)	(53)	56	84	<b>22</b>
Transfer of surplus to reserves	1,531	1,529	3,314	1,858	<b>1,083</b>
	1,405	1,476	3,370	1,942	<b>1,105</b>

### Balance Sheet as at 31 July

Total fixed assets	53,724	53,566	81,813	91,554	<b>96,814</b>
Endowment assets	10,627	8,771	8,495	9,313	<b>10,952</b>
Current assets	17,318	15,102	16,719	15,478	<b>17,074</b>
Creditors: amounts falling due within one year	(10,622)	(10,026)	(11,263)	(10,507)	<b>(13,486)</b>
Total assets less current liabilities	71,047	67,413	95,764	105,838	<b>111,354</b>
Creditors: amounts falling due after more than one year	(20,456)	(19,754)	(43,560)	(43,947)	<b>(42,652)</b>
Provisions for liabilities	(881)	(615)	(856)	(584)	<b>(1,212)</b>
Net assets	49,710	47,044	51,348	61,307	<b>67,490</b>
Deferred capital grants	13,369	11,097	12,345	19,628	<b>23,028</b>
Endowments	10,627	8,771	8,495	9,313	<b>10,952</b>
Reserves	25,714	27,176	30,508	32,366	<b>33,510</b>
Total funds	49,710	47,044	51,348	61,307	<b>67,490</b>

### Financial Statistics

Surplus as a percentage of turnover	2.4%	2.3%	4.5%	2.3%	<b>1.2%</b>
Margin on research grants and contracts <i>(income less direct expenditure/income)</i>	16.9%	16.5%	19.7%	18.0%	<b>20.9%</b>
Margin on residences, catering & conferences <i>(income less direct expenditure/income)</i>	11.9%	12.8%	14.8%	4.9%	<b>10.0%</b>
Current ratio <i>(current assets/current liabilities)</i>	1.6	1.5	1.5	1.5	<b>1.3</b>
Debt as percentage of total turnover	32.0%	28.9%	57.1%	55.5%	<b>50.1%</b>
Liquidity days <i>(number of days of average expenditure excluding depreciation supported by cash balances)</i>	67	53	45	37	<b>32</b>
Debtor days <i>(number of days income excluding Funding Council grant represented by debtors due within one year)</i>	37	37	34	42	<b>52</b>

## Membership of Council 2004-05

### Ex officio members

Chancellor

Lord Phillips of Sudbury, OBE

Pro-Chancellors

Mr Tim Melville-Ross (Chair of Council)

Mr Alan Jordan

Mr Christopher Pertwee (Vice-Chair of Council)

Vice-Chancellor

Professor Ivor Crewe

Treasurer

Mr Derek Lewis

Deputy Vice-Chancellor and  
Pro-Vice-Chancellor

Professor Rob Massara

Pro-Vice-Chancellor

Professor Michael Sherer

Dr Sam Steel

Professor Christine Temple

### Appointed members by Court

Mr Allan Blundell

Mrs Joy MacMillan

Mr Peter Rainbird

### Co-opted members

Mr John Burrow

Ms Nicola Colston

Dr Tony Elston

Mr Colin Harker

Mr Alan Hayman

Mrs Caroline Haynes

Mr Michael Hughes

Sir Robin Mountfield

Lord Newton

Ms Auriol Stevens

### Elected members from Senate

Ms Fernne Brennan

Professor Joan Busfield

Professor Joe Foweraker

Professor Jules Lubbock

Mr Bob Mack

Professor Frances Millard

Professor Abhinay Muthoo

Professor David Nedwell

Professor Maurice Sunkin

Dr Fiona Venn

### Students' Union members

President of Students' Union

Mr Gareth Oughton

Vice-President (Finance

& Services) of Students' Union

Ms Lucy Sutton

### Observer

South East Essex College

Ms Jan Hodges



