



FINANCIAL STATEMENTS



## Financial Statements 2003-04

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## **Advisers to the University**

### **Bankers**

Lloyds TSB plc

### **Solicitors**

Birkett Long

Mills & Reeve

### **Auditors**

Scrutton Bland

### **Investment Managers**

Deutsche Asset Management Limited

Investec Asset Management Limited

Merrill Lynch Investment Managers

M & G Securities Limited

### **Insurers**

UM Association Limited

UM Association (Special Risks) Limited

## Treasurer's Report

### Introduction

As the University enters its 40<sup>th</sup> year it is interesting to note that in 1963/64, its first full year, the University recorded a deficit of £6,400 on a turnover of £90,578 5s 10d. Financial times were hard even in those days! In that year the University received recurrent grant funding from Southend Borough Council, so it is fitting that in our 40<sup>th</sup> year, Southend features large in the future development plans of the University.

### Results for the Year

The consolidated Income and Expenditure Account for the year to 31 July is summarised below and reflects the new Statement of Recommended Accounting Practice (SORP) for further and higher education. The new SORP has led to some minor presentational and accounting changes so prior year results have been adjusted accordingly to enable like-for-like comparisons:

	2003-04	2002-03
	£000	£000
<b>Total Income</b>	<b>82,868</b>	<b>77,153</b>
Surplus for the Year <i>retained in general funds</i>	1,858	3,314
Less Profit from the Sale of Fixed Assets	<u>527</u>	<u>-</u>
<b>Surplus for the Year</b> <i>before exceptional items</i>	<b>1,331</b>	<b>3,314</b>

The surplus for the year of £1.8m includes profits from the sale of surplus assets. Eliminating these one-off gains, gives an underlying recurrent surplus for the year of £1.3m (£3.3m in 02/03).

Total income for the year increased by a little over 7%, in part due to the first full year of the University Quays student accommodation. Excluding income from residences, catering and conferences, income from other sources - principally academic - rose by 5% while related staff costs rose by over 8%. Herein lies a major challenge to the University - how to deal with a pay bill that is rising at a faster rate than its income. This is the prime reason why the University's recurrent surplus at £1.3m, is £2m lower than the previous year.

Income from overseas students has increased by 9%, generating £15m of tuition fee income and accounting for 18% of total University income. Growth in the number of overseas students is the prime reason why student accommodation has been expanded, with University Quays adding 770 places to the total stock, now standing at 3,740 student bedrooms. Income from residences, catering and conference rose by 21% over the year, although the margin fell to 5.2% (14.8% in 02/03). I explained in my report last year that we expected the margin to fall as the re-investment needs of the older accommodation began to increase. Within these figures are the separate components of activity that comprise residences – catering and conferences.

Income from research grants and contracts was down by 4.9% at £12.6m for the year, accompanied by a fall in the indirect-cost recovery rate to 18% (19.7% in 02/03). A number of one-off items flattered the underlying performance in the previous year and it is worth noting that the rate of indirect-cost recovery in the 5 years 1997/98-2000/01 never exceeded 16.5% in any particular year.

### Capital Projects

Capital expenditure in the year amounted to £12.8m (£30.6m in 02/03).

The Networks Centre was completed, at a total cost of £6.6m and financed by 75% capital grant from Funding Council grants. This new facility houses the Electronic Systems

Engineering department, locating it closer to Computer Science to exploit research synergies.

The University acquired a long lease on Roding House in Loughton, enabling its East15 Acting School to acquire superb new rehearsal and costume storage space. The acquisition and refurbishment cost £1.4m.

The University was granted £3.7m from the East of England Development Agency, towards the acquisition of the freehold of the former Odeon cinema in the High Street, Southend, at a total cost of £3.8m. This will be the location of the University's new campus in Southend, which is discussed further below.

### **Cash Flow**

Cash inflow from operating activities was £1.8m (£3.8m in 02/03). This fall reflects the lower level of surplus generated and an increase in debtors outstanding of £1.6m. Debtors have increased as the University invests ahead of the recovery of grants from external funding bodies creating a temporary timing effect, but one that nevertheless has a real impact on cash balances.

### **Debt**

The University Quays student accommodation was handed over to the University in September 2003. However, the completion of the transaction was long drawn out, with the purchase finally completed in June 2004. In that month, a £27m term loan was drawn down to fund the acquisition. The University's debt now stands at £46m.

### **Investment Performance**

The University places its investments in Common Investment Funds, a form of unit-trust for charities.

Over the last year the University's two equity fund managers achieved growth of 15.4% and 14.8% respectively, compared to the change in the FTSE All Share Index of +17%. Over the past five years the fund values have declined by 0.3% and 0.7% per year respectively, compared with an All Share Index decline of 2.4%.

The University's fixed interest manager achieved a one year return of 0.1% compared with the British Government All Stocks Index of 0%. Over the last five years, the fund manager has achieved a return of 5.6% per year, ahead of the Index at 4.8%.

More disappointingly, the University's cash fund manager achieved a return of 2.76% over the last year, against a benchmark of 3.76%. However, since the inception of the cash fund (1998) the fund manager has outperformed the benchmark by achieving an annual return of 5.26% compared with the benchmark of 4.69%.

### **Future Developments**

As the results for the year demonstrate, the University faces the challenge of how to contain its staff cost inflation, which typically outpaces inflation in Government funding by 2 or 3 percentage points. The University has been growing other income streams to contain this problem, notably tuition fees from overseas students. However, there comes a point when the problem of costs has to be addressed, not least because physical capacity is increasingly constrained, making it more difficult to outgrow the funding gap in the future. The University has recently embarked on a cost reduction exercise with the aim of lowering recurrent costs by £2m per year by the start of 2006/07.

Growing and diversifying income are critical if the University is to continue to enjoy sound finances in the future. The University is involved with a number of exciting developments.

The Southend campus is currently under development thanks to substantial grant funding from the East of England Development Agency, the Office of the Deputy Prime Minister and the Government Office for the East of England. The University's vision is the creation of an education 'quarter' in Southend in partnership with the South East Essex College, whose own £52m building was completed in August. Integral to making the Southend campus economically sustainable will be projects to convert an office block into student accommodation. Offering the right curriculum to suit a new market is, of course, the foundation to having an economically sustainable campus.

In June 2004 agreement was reached with Insearch, a subsidiary of the University of Technology, Sydney. Insearch selected the University as its preferred partner in the UK and it will recruit overseas students at foundation year and provide intense language and academic teaching, enabling successful students to graduate on to year two of Essex honours programmes. This strengthens the 'supply chain', diversifies marketing risk and will help the University continue to grow its overseas students - so critical to the financial strength of the University.

During the year the University made an important breakthrough in gaining its first pre-registration health education contracts – fast-track masters level programmes in a number of health professional disciplines. It is hoped that these will grow in future years to build on the research and teaching strengths of the University's departments of Health and Human Sciences and of Biological Sciences.

Designs are well advanced for a new £5m Lecture Hall on campus and work is expected to commence in late 2004/05 on site. This will be a landmark building, providing a much-needed increase in teaching capacity.

A new £6m 'Social Science Research Centre', funded by a 90% capital grant from the Science Research Investment Fund, will soon start on site. This centre will house the University's internationally renowned Institute for Social and Economic Research, along with the UK Data Archive. It will also free up space elsewhere to add to the University's teaching capacity.

The University faces considerable challenges from the continuing need to fund cost inflation and a highly competitive environment for its programmes and research funding. Equally there are exciting opportunities to develop its teaching and research activities. Balancing these conflicting demands while maintaining the University's tradition of prudent financial planning and management will be no less demanding in the future than it has been in recent years.

Derek Lewis  
TREASURER

## Corporate Governance, Risk Management and Internal Control

### 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 London Stock Exchange in June 1998. 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 retains 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.

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 performance in relation to the approved budgets. It also has primary responsibility for governance issues and considers nominations for vacancies in the Council membership under the relevant Statute.

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.

## Corporate Governance, Risk Management and Internal Control (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.

### Risk Management and Internal Control

As the governing body of the University of Essex, the 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.

As the governing body of the University of Essex, the 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 are as follows:

- Expanded terms of reference of the former Finance Committee to include discussion of the plans and strategic direction of the University. The Finance & Strategy Committee now meets on six occasions each year;
- Consideration of the University's strategy, based upon advice from the Finance & Strategy Committee, now forms part of the regular termly meetings of the Council;
- 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 include 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;
- A programme to heighten risk awareness across the University, including embedding risk management within strategic planning and academic programme developments;
- 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 so identified;
- A Risk Management Group composed of senior management, to consider and prioritise new risks as these are identified, to review the risk register on a regular basis, and to ensure that risk management action plans are in place.



## Corporate Governance, Risk Management and Internal Control (continued)

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. The work of internal audit is subject to periodic review by the HEFCE Audit Service. Internal Audit submits regular reports, 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.

The key elements of the University's system of internal financial control, 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, 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 & Risk Management Committee and Council;
- 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 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 for Further and Higher Education and other relevant accounting standards. In addition, 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 of the surplus or deficit and cash flows for that 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.

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

We have audited the Financial Statements on pages 12 to 36, 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 14.

This report is made solely to the University's Council and the funding bodies. Our audit work has been undertaken so that we might state to these stakeholders 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, its Council and the funding bodies, 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 August 2000 and 1 October 2003.

We also report if, in our opinion, the Treasurer's Report 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 Report, 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.

## **Report of the Independent Auditors to the Council of the University of Essex (continued)**

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 2004, 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 Memoranda with the Higher Education Funding Council for England dated 1 August 2000 and 1 October 2003.

**SCRUTTON BLAND**  
Accountants and Registered Auditors

Sir Isaac's Walk  
Colchester  
CO1 1JL

6 December 2004

## Statement of Principal Accounting Policies and Estimation Techniques

### 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.

These Statements take account of the changes in the updated SoRP, effective from 1 August 2003. The two main changes are that 1) specific endowment income is now credited to the Income and Expenditure Account on a receivable basis, whereas formally it was included on the basis of matched expenditure, and 2) Funding Council income transferred to partner colleges is now accounted for on a net basis rather than shown as gross income and gross expenditure. 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 (Note 31) 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 33.

### Recognition of Income

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

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.

### 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.

## Statement of Principal Accounting Policies and Estimation Techniques (continued)

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 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.

## Statement of Principal Accounting Policies and Estimation Techniques (continued)

### 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.

**UNIVERSITY OF ESSEX  
AND SUBSIDIARY UNDERTAKINGS  
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2004**

	Note	2003-04 £'000	2002-03 £'000
<b>Income</b>			
Funding council grants	1	25,772	24,313
Tuition fees and educational contracts	2	25,574	23,639
Research grants and contracts	3	12,631	13,280
Other income	4	18,386	14,999
Endowment and investment income	5	913	1,217
		<b>83,276</b>	77,448
Less: share of income in joint venture		(408)	(295)
Total Income		<b>82,868</b>	77,153
<b>Expenditure</b>			
Staff costs	7	50,349	46,122
Other operating expenses	8	25,313	24,401
Depreciation	10	2,516	2,038
Interest paid	9	2,646	1,085
Total Expenditure	10	<b>80,824</b>	73,646
Surplus on continuing operations after depreciation of tangible fixed assets at cost and before tax		<b>2,044</b>	3,507
Share of operating loss in joint venture		(102)	(137)
Surplus on continuing operations after depreciation of tangible fixed assets, joint venture losses and tax	6	<b>1,942</b>	3,370
Transfer of surplus to endowment funds		(84)	(56)
Surplus for the year retained within general reserves		<b>1,858</b>	3,314
<b>Statement of Historical Cost Surpluses for the year ended 31 July 2004</b>			
Surplus on continuing operations before taxation	21	<b>1,942</b>	3,370
Realisation of revaluation gains in previous years	20	<b>0</b>	54
Historical cost surplus for the year before taxation		<b>1,942</b>	3,424
Historical cost surplus for the year after taxation		<b>1,942</b>	3,424

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



**UNIVERSITY OF ESSEX  
AND SUBSIDIARY UNDERTAKINGS  
BALANCE SHEET  
FOR THE YEAR ENDED 31 JULY 2004**

		Consolidated		University	
	Note	2004 £'000	2003 £'000	2004 £'000	2003 £'000
<b>Fixed Assets</b>					
Tangible fixed assets	11	<b>91,269</b>	81,318	<b>66,978</b>	56,544
Investments	12	<b>517</b>	625	<b>20,829</b>	20,502
Investment in joint ventures					
Share of gross assets		<b>156</b>	196	<b>0</b>	0
Share of gross liabilities		<b>(388)</b>	(326)	<b>0</b>	0
		<u><b>91,554</b></u>	<u>81,813</u>	<u><b>87,807</b></u>	<u>77,046</u>
<b>Endowment Asset Investments</b>	13	<u><b>9,313</b></u>	<u>8,495</u>	<u><b>9,313</b></u>	<u>8,495</u>
<b>Current Assets</b>					
Stocks and Stores		<b>372</b>	329	<b>346</b>	306
Debtors	14	<b>6,523</b>	4,939	<b>28,694</b>	5,132
Debtors - amounts due after more than one year	14	<b>705</b>	2,513	<b>705</b>	2,513
Investments		<b>7,604</b>	8,759	<b>7,604</b>	8,759
Cash at bank and in hand		<b>274</b>	179	<b>182</b>	52
		<u><b>15,478</b></u>	<u>16,719</u>	<u><b>37,531</b></u>	<u>16,762</u>
<b>Creditors - amounts falling due within one year</b>	15	<u><b>(10,507)</b></u>	<u>(11,263)</u>	<u><b>(10,969)</b></u>	<u>(11,484)</u>
<b>Net Current Assets</b>		<u><b>4,971</b></u>	<u>5,456</u>	<u><b>26,562</b></u>	<u>5,278</u>
<b>Total Assets less Current Liabilities</b>		<b>105,838</b>	95,764	<b>123,682</b>	90,819
<b>Creditors - amounts falling due after more than one year</b>	16	<u><b>(43,947)</b></u>	<u>(43,560)</u>	<u><b>(49,176)</b></u>	<u>(21,303)</u>
<b>Provisions for Liabilities and Charges</b>	17	<u><b>(584)</b></u>	<u>(856)</u>	<u><b>(584)</b></u>	<u>(856)</u>
<b>Net Assets</b>		<u><u><b>61,307</b></u></u>	<u><u>51,348</u></u>	<u><u><b>73,922</b></u></u>	<u><u>68,660</u></u>
<b>Deferred Capital Grants and Gifts</b>	18	<b>19,628</b>	12,345	<b>19,628</b>	12,345
<b>Endowments</b>					
Specific	19	<b>9,061</b>	8,263	<b>9,061</b>	8,263
General	19	<b>252</b>	232	<b>252</b>	232
		<u><b>9,313</b></u>	<u>8,495</u>	<u><b>9,313</b></u>	<u>8,495</u>
<b>Reserves</b>					
Revaluation reserve	20	<b>93</b>	93	<b>93</b>	93
General reserve	21	<b>32,273</b>	30,415	<b>44,888</b>	47,727
		<u><b>32,366</b></u>	<u>30,508</u>	<u><b>44,981</b></u>	<u>47,820</u>
<b>Total Funds</b>		<u><u><b>61,307</b></u></u>	<u><u>51,348</u></u>	<u><u><b>73,922</b></u></u>	<u><u>68,660</u></u>

The Financial Statements on pages 12 to 36 were approved by Finance & Strategy Committee on 6 December 2004 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 2004**

	Note	2003-04 £'000	2002-03 £'000
Net Cash Inflow from Operating Activities	23	1,780	3,751
Returns on Investments and Servicing of Finance	24	(1,733)	132
Capital Expenditure and Financial Investment	25	(2,072)	(3,706)
<b>Cash Inflow before use of Liquid Resources and Financing</b>		<b>(2,025)</b>	<b>177</b>
Management of Liquid Resources	27	1,155	254
Financing	26	1,306	(994)
<b>Increase / (Decrease) in Cash in the period</b>	28	<b>436</b>	<b>(563)</b>
<b>Reconciliation of Net Cash Flow to Movement in Net Funds / (Debt)</b>			
(Decrease)/increase in cash in the year		436	(563)
Cash inflow/(outflow) from management of liquid resources	27	(1,155)	(254)
Cash inflow from new secured loan	26	(2,252)	0
Changes in net debt from cash flows		946	994
Changes in net debt from non-cash movements		0	(24,748)
<b>Movement in Net Debt in Period</b>		<b>(2,025)</b>	<b>(24,571)</b>
<b>Net Debt at 1 August 2003</b>		<b>(36,119)</b>	<b>(11,548)</b>
<b>Net debt at 31 July 2004</b>	28	<b>(38,144)</b>	<b>(36,119)</b>

**UNIVERSITY OF ESSEX  
AND SUBSIDIARY UNDERTAKINGS  
STATEMENT OF CONSOLIDATED TOTAL  
RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2004**

	Note	2003-04 £'000	2002-03 £'000
<b>Recognised gains relating to the year</b>			
Surplus on continuing operations after depreciation of assets at cost, disposal of assets and tax		1,942	3,370
Appreciation of Investments		0	18
Appreciation/(Depreciation) of endowment asset investments	19	393	(30)
New Endowments	19	341	15
Release of endowment to income and expenditure account	19	0	(317)
<b>Total Recognised gains relating to the year</b>		<b>2,676</b>	<b>3,056</b>
<b>Reconciliation</b>			
Opening reserves and endowments		39,003	35,947
Total recognised gains for the year		2,676	3,056
<b>Closing Reserves and Endowments</b>		<b>41,679</b>	<b>39,003</b>

**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004**

**2003-04**                      2002-03  
**£'000**                              £'000

**1. Funding Council Grants**

Recurrent (teaching)	<b>15,154</b>	14,244
Recurrent (research)	<b>8,259</b>	7,643
Recurrent (other)	<b>9</b>	137
Special initiatives	<b>1,932</b>	1,880
Deferred capital grants released in year - buildings (note 18)	<b>418</b>	409
	<b><u>25,772</u></b>	<u>24,313</u>

**2. Tuition Fees and Support Grants**

Full-time HE tuition fees		
UK and EU students charged home fees	<b>7,181</b>	6,827
Students charged overseas and other fees	<b>15,051</b>	13,785
Part-time credit-bearing HE tuition fees	<b>627</b>	571
Non-credit-bearing tuition fees	<b>2,409</b>	2,242
NHS contracts	<b>95</b>	0
Research support grants	<b>211</b>	214
	<b><u>25,574</u></b>	<u>23,639</u>

**3. Research Grants and Contracts**

Research Councils	<b>7,526</b>	7,704
UK-based charities	<b>873</b>	754
UK central government, local authorities, health and hospital authorities	<b>1,401</b>	1,226
UK industry, commerce and public corporations	<b>1,081</b>	1,527
European Union government bodies	<b>1,130</b>	1,318
European Union other	<b>68</b>	66
Other overseas	<b>257</b>	317
Other sources	<b>156</b>	197
Deferred capital grants released in year - equipment (note 18)	<b>139</b>	171
	<b><u>12,631</u></b>	<u>13,280</u>

**4. Other Operating Income**

Other services rendered:		
Course validation fees	<b>52</b>	49
Teaching companies	<b>10</b>	35
UK central government, local authorities, health and hospital authorities	<b>342</b>	520
UK industry, commerce and public corporations	<b>320</b>	421
European Union government bodies	<b>584</b>	343
European Union other	<b>0</b>	110
Other overseas	<b>4</b>	7
Other sources	<b>322</b>	179
Residences, catering and conferences	<b>12,466</b>	10,318
Deferred capital grants (non-funding council) released in year - buildings (note 18):	<b>50</b>	50
Deferred capital grants (non-funding council) released in year - equipment (note 18):	<b>31</b>	32
Day Nursery	<b>736</b>	708
Profit on disposal of fixed assets	<b>527</b>	0
Other income	<b>2,942</b>	2,227
	<b><u>18,386</u></b>	<u>14,999</u>

**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004**

	<b>2003-04 £'000</b>	2002-03 £'000
<b>5. Endowment and Investment Income</b>		
Income from fixed asset investments	<b>15</b>	9
Income from specific endowment asset investments (note 19)	<b>344</b>	337
Income from general endowment asset investments (note 19)	<b>9</b>	8
Release of endowment	<b>0</b>	317
Income from current asset investments	<b>545</b>	546
	<b>913</b>	1,217

**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>2,133</b>	3,117
Surplus generated by subsidiary undertakings and transferred to the University under Gift Aid	<b>257</b>	237
Other surpluses/(deficits) generated by subsidiary undertakings and joint ventures	<b>(532)</b>	(40)
	<b>1,858</b>	3,314

**7. Staff Costs**

Wages and salaries	<b>41,984</b>	38,652
Social security costs	<b>3,325</b>	2,793
Other pension costs (note 30)	<b>5,040</b>	4,677
	<b>50,349</b>	46,122

Emoluments of the Vice-Chancellor for year to 31 July	<b>150</b>	140
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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 £23,287 (2002-03 £21,572).

No higher paid member of staff received compensation for loss of office during the two years to 31 July 2004.

Remuneration of higher paid staff, excluding employer's pension contributions:	<b>Number of staff</b>	Number of staff
£70,000-£79,999	<b>3</b>	2
£80,000-£89,999	<b>2</b>	1
	<b>5</b>	3

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>499</b>	477
Research officer	<b>129</b>	113
Technical	<b>63</b>	64
Senior administrative	<b>124</b>	113
Clerical and secretarial	<b>280</b>	242
Other	<b>515</b>	508
	<b>1,610</b>	1,517

**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004**

**2003-04**      2002-03  
**£'000**      £'000

**8. Other Operating Expenses**

Audit fees	<b>110</b>	118
Books and periodicals	<b>1,329</b>	1,287
Consumables and laboratory expenditure	<b>643</b>	811
Early retirements and severances	<b>78</b>	193
Equipment	<b>2,817</b>	2,945
Gas, water and electricity	<b>1,497</b>	1,234
Grants to Students' Union	<b>352</b>	545
Insurance	<b>387</b>	417
Long-term maintenance programme	<b>1,758</b>	1,796
Minor works	<b>690</b>	804
Other expenses	<b>7,831</b>	7,156
Printing and stationery	<b>1,013</b>	1,053
Rates	<b>203</b>	106
Rental of premises	<b>350</b>	665
Repairs and routine maintenance of estates	<b>1,029</b>	933
Research survey fieldwork	<b>2,467</b>	1,922
Scholarships (fee waivers and bursaries)	<b>1,613</b>	1,364
Travel and subsistence	<b>1,146</b>	1,052
	<b><u>25,313</u></b>	<u>24,401</u>

Audit fees include:

External audit	<b>44</b>	42
Other services supplied by external audit	<b>21</b>	13
Internal audit	<b>45</b>	63
	<b><u>110</u></b>	<u>118</u>

**9. Interest Payable**

Loans not wholly repayable within five years	<b><u>2,646</u></b>	<u>1,085</u>
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**10. Analysis of 2003-04 Expenditure by Activity**

	<b>Staff Costs £'000</b>	<b>Other Operating Expenses £'000</b>	<b>Depreciation £'000</b>	<b>Interest Paid £'000</b>	<b>Total £'000</b>	2002-03 £'000
Academic departments and centres	<b>27,325</b>	<b>4,337</b>	<b>145</b>	<b>0</b>	<b>31,807</b>	28,318
Academic services	<b>3,274</b>	<b>2,407</b>	<b>10</b>	<b>0</b>	<b>5,691</b>	5,826
Research grants and contracts	<b>5,799</b>	<b>4,436</b>	<b>128</b>	<b>0</b>	<b>10,363</b>	10,659
Residences, catering and conferences	<b>3,659</b>	<b>4,356</b>	<b>1,222</b>	<b>2,619</b>	<b>11,856</b>	8,791
Premises	<b>3,097</b>	<b>3,593</b>	<b>955</b>	<b>17</b>	<b>7,662</b>	7,472
Administration	<b>4,461</b>	<b>1,777</b>	<b>48</b>	<b>0</b>	<b>6,286</b>	5,592
Other services rendered	<b>446</b>	<b>1,114</b>	<b>0</b>	<b>0</b>	<b>1,560</b>	1,290
General educational	<b>538</b>	<b>1,945</b>	<b>0</b>	<b>0</b>	<b>2,483</b>	2,126
Student and staff facilities	<b>1,612</b>	<b>688</b>	<b>8</b>	<b>10</b>	<b>2,318</b>	2,384
Early retirements and severances	<b>0</b>	<b>78</b>	<b>0</b>	<b>0</b>	<b>78</b>	193
Other expenses	<b>138</b>	<b>582</b>	<b>0</b>	<b>0</b>	<b>720</b>	995
Total per Income and Expenditure Account	<b><u>50,349</u></b>	<b><u>25,313</u></b>	<b><u>2,516</u></b>	<b><u>2,646</u></b>	<b><u>80,824</u></b>	<u>73,646</u>

The depreciation charge has been funded by:

Deferred capital grants released (Note 18)	<b>638</b>
General income	<b>1,878</b>
	<b><u>2,516</u></b>

**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004**

**11. Tangible Fixed Assets**

	<b>University Land and Buildings £'000</b>	<b>University Equipment £'000</b>	<b>University Total £'000</b>	<b>Companies Land and Buildings £'000</b>	<b>Companies Equipment £'000</b>	<b>Consolidated Total £'000</b>
<b>Cost</b>						
At 1 August 2003	66,708	3,256	69,964	24,748	204	94,916
Additions	<b>12,496</b>	<b>248</b>	<b>12,744</b>	<b>(49)</b>	<b>67</b>	<b>12,762</b>
Alienation	<b>0</b>	<b>(1,030)</b>	<b>(1,030)</b>	<b>0</b>	<b>0</b>	<b>(1,030)</b>
Disposals	<b>(429)</b>	<b>0</b>	<b>(429)</b>	<b>0</b>	<b>0</b>	<b>(429)</b>
At 31 July 2004	<b><u>78,775</u></b>	<b><u>2,474</u></b>	<b><u>81,249</u></b>	<b><u>24,699</u></b>	<b><u>271</u></b>	<b><u>106,219</u></b>
<b>Depreciation</b>						
At 1 August 2003	10,928	2,492	13,420	0	178	13,598
Charge for year	<b>1,602</b>	<b>413</b>	<b>2,015</b>	<b>443</b>	<b>58</b>	<b>2,516</b>
Alienation	<b>0</b>	<b>(1,030)</b>	<b>(1,030)</b>	<b>0</b>	<b>0</b>	<b>(1,030)</b>
Disposals	<b>(134)</b>	<b>0</b>	<b>(134)</b>	<b>0</b>	<b>0</b>	<b>(134)</b>
At 31 July 2004	<b><u>12,396</u></b>	<b><u>1,875</u></b>	<b><u>14,271</u></b>	<b><u>443</u></b>	<b><u>236</u></b>	<b><u>14,950</u></b>
<b>Net book value</b>						
At 31 July 2004	<b><u>66,379</u></b>	<b><u>599</u></b>	<b><u>66,978</u></b>	<b><u>24,256</u></b>	<b><u>35</u></b>	<b><u>91,269</u></b>
At 1 August 2003	<b><u>55,780</u></b>	<b><u>764</u></b>	<b><u>56,544</u></b>	<b><u>24,748</u></b>	<b><u>26</u></b>	<b><u>81,318</u></b>

Additions to University land and buildings in the year includes expenditure of £3.8m on the acquisition of land for the new Southend campus and £0.4m on the initial construction costs. £5.5m was spent on the new Networks Centre to house the Department of Electronic Systems Engineering.

The University took ownership of University Quays student residences during the year through the purchase of the entire share capital of Universal Accommodation Group Ltd. In 2002-03, the substance of this transaction was recognised on an estimated basis. An adjustment of £49k is shown above reflecting the actual value of the purchase.

Included within University land and buildings are leasehold properties with a net book value of £1.686m (2002-03 £1.163m)

**12. Investments**

	<b>Consolidated</b>		<b>University</b>	
	<b>2003-04 £'000</b>	<b>2002-03 £'000</b>	<b>2003-04 £'000</b>	<b>2002-03 £'000</b>
At 1 August 2003	<b>625</b>	777	<b>20,502</b>	18,094
Additions	<b>0</b>	1	<b>402</b>	2,561
Disposal of investments	<b>(147)</b>	(204)	<b>(114)</b>	(204)
Appreciation in value of investments	<b>39</b>	33	<b>39</b>	33
Revaluations charged to the Revaluation Reserve	<b>0</b>	18	<b>0</b>	18
At 31 July 2004	<b><u>517</u></b>	<u>625</u>	<b><u>20,829</u></b>	<u>20,502</u>
Comprising:				
Treasury gilts	<b>241</b>	240	<b>241</b>	240
Zero dividend preference shares	<b>228</b>	304	<b>228</b>	304
University of Essex Research Park Holdings Ltd	<b>0</b>	0	<b>17,370</b>	17,370
University of Essex Research Park Ltd	<b>0</b>	0	<b>50</b>	50
Universal Accommodation Group Ltd	<b>0</b>	0	<b>2,893</b>	2,491
Other investments	<b>48</b>	81	<b>47</b>	47
	<b><u>517</u></b>	<u>625</u>	<b><u>20,829</u></b>	<u>20,502</u>

Details of investments in all subsidiary undertakings are included in note 31.

**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004**

**12. Investments (continued)**

During the year the University acquired the entire share capital of Universal Accommodation Group Ltd, a special purpose vehicle used to develop the University Quays student residences. The substance of this transaction had been recognised in 2002-03.

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

**13. Endowment Assets**

	<b>2003-04 £'000</b>	2002-03 £'000
Balance at 1 August 2003	<b>8,495</b>	8,771
Additions	<b>341</b>	15
Disposals	<b>0</b>	(317)
Appreciation/(Depreciation) of investments	<b>393</b>	(30)
Excess of Income over Expenditure	<b>84</b>	56
At 31 July 2004	<b><u>9,313</u></b>	<u>8,495</u>
Represented by:		
Fixed interest stocks	<b>1,239</b>	1,046
Equities	<b>7,648</b>	7,180
Bank balances and deposits	<b>426</b>	269
Total endowment asset at market value	<b><u>9,313</u></b>	<u>8,495</u>
Total endowment asset at cost	<b><u><u>10,188</u></u></b>	<u><u>9,919</u></u>

**14. Debtors**

	<b>Consolidated</b>		<b>University</b>	
	<b>2003-04 £'000</b>	2002-03 £'000	<b>2003-04 £'000</b>	2002-03 £'000
Trade debtors	<b>2,783</b>	1,692	<b>2,548</b>	1,807
Student fees	<b>415</b>	401	<b>415</b>	401
Research debtors	<b>2,868</b>	2,622	<b>2,868</b>	2,622
Prepayments and accrued income	<b>325</b>	117	<b>488</b>	117
Amount owed by Students' Union within one year	<b>132</b>	107	<b>132</b>	107
Amounts owed by subsidiary undertakings	<b>0</b>	0	<b>22,243</b>	78
Total amounts falling due within one year	<b><u>6,523</u></b>	4,939	<b><u>28,694</u></b>	5,132
Long-term debtor - Students' Union	<b>705</b>	637	<b>705</b>	637
Long-term debtor - South East Essex College (note 18)	<b>0</b>	1,876	<b>0</b>	1,876
Total long-term debtors	<b><u>705</u></b>	2,513	<b><u>705</u></b>	2,513
	<b><u><u>7,228</u></u></b>	<u><u>7,452</u></u>	<b><u><u>29,399</u></u></b>	<u><u>7,645</u></u>

In August 2003, the University loaned the Students' Union a further £200,000 for Phase 2 of its entertainments refurbishment programme.

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



**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004**

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

	Consolidated		University	
	2003-04 £'000	2002-03 £'000	2003-04 £'000	2002-03 £'000
Mortgages and unsecured loans	<b>2,027</b>	1,108	<b>2,027</b>	1,108
Payments received in advance	<b>1,113</b>	1,530	<b>1,113</b>	1,530
Research creditors	<b>1,597</b>	1,810	<b>1,597</b>	1,810
Trade creditors	<b>1,823</b>	1,951	<b>1,777</b>	2,427
Amounts owed to subsidiary undertakings	<b>0</b>	0	<b>459</b>	3
Social security and other taxation payable	<b>1,089</b>	977	<b>1,082</b>	967
Accruals	<b>2,810</b>	3,498	<b>2,866</b>	3,275
Bank overdraft	<b>48</b>	389	<b>48</b>	364
	<b>10,507</b>	11,263	<b>10,969</b>	11,484

The bank overdraft arises in respect of unrepresented cheques and BACS transmissions at 31 July.

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

Loans secured on property:				
repayable between one and two years	<b>2,011</b>	1,862	<b>2,011</b>	1,862
repayable between two and five years	<b>6,033</b>	1,862	<b>6,033</b>	1,862
repayable after five years	<b>35,745</b>	14,913	<b>35,745</b>	14,913
Unsecured loans:				
repayable between one and two years	<b>17</b>	33	<b>17</b>	33
repayable between two and five years	<b>57</b>	37	<b>57</b>	37
repayable after five years	<b>84</b>	105	<b>84</b>	105
Other amounts due after more than one year	<b>0</b>	24,748	<b>5,229</b>	2,491
	<b>43,947</b>	43,560	<b>49,176</b>	21,303

Loans of £45.9m (£19.9m 2002-03) secured on the freehold property of the University are repayable by instalments falling due between 1 August 2004 and 10 June 2029.

The University has 6 interest rate swaps reflecting its policy of ensuring circa 70% of debt outstanding is covered by fixed interest payments. The average weighted interest rate on total debt, including interest rate swaps, was 5.53% for the financial year.

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**17. Provisions for Liabilities and Charges**

	Consolidated and University				
	Part-time Employees £'000	Future Severances £'000	Pension Deficiency £'000	Early Retirement £'000	Total £'000
At 1 August 2003	250	114	159	333	856
Utilised in year	<b>(32)</b>	<b>(114)</b>	<b>(96)</b>	<b>(44)</b>	<b>(286)</b>
Transfer from Income and Expenditure Account	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>14</b>
At 31 July 2004	<b>218</b>	<b>0</b>	<b>63</b>	<b>303</b>	<b>584</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 existed to meet the future costs of employees taking early retirement under the University's Early Retirement Scheme. It has been released fully during the financial year.

Provision has been made to meet a past service deficiency within the Local Government Pension Scheme and, following the outcome of the actuarial review of the Scheme in March 2001, this is being released over a three year period from April 2002.

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.

**18. Deferred Capital Grants and Gifts**

	Consolidated and University		
	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2003			
Buildings	10,594	1,535	12,129
Equipment	0	216	216
	<u>10,594</u>	<u>1,751</u>	<u>12,345</u>
Transfers			
Buildings	<b>(1,800)</b>	<b>0</b>	<b>(1,800)</b>
Receivable			
Buildings	<b>5,599</b>	<b>4,122</b>	<b>9,721</b>
	<u>5,599</u>	<u>4,122</u>	<u>9,721</u>
Released to Income and Expenditure Account (notes 1, 3 and 4):			
Buildings	<b>(418)</b>	<b>(50)</b>	<b>(468)</b>
Equipment	<b>0</b>	<b>(170)</b>	<b>(170)</b>
	<u>(418)</u>	<u>(220)</u>	<u>(638)</u>
At 31 July 2004			
Buildings	<b>13,975</b>	<b>5,607</b>	<b>19,582</b>
Equipment	<b>0</b>	<b>46</b>	<b>46</b>
	<u>13,975</u>	<u>5,653</u>	<u>19,628</u>

Grants received in the year were £5.6m from HEFCE for the Networks Centre and £4.1m from the East of England Development Agency and the ODPM for the new Southend campus development.

The brought forward figures include a grant from HEFCE of £1.8m received on behalf of South East Essex College. The grant and interest in the building were transferred to the College during the year.

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**19. Endowments**

	<b>Consolidated and University</b>		
	<b>Specific £'000</b>	<b>General £'000</b>	<b>Total £'000</b>
At 1 August 2003	8,263	232	8,495
Additions	<b>341</b>	<b>0</b>	<b>341</b>
Appreciation of endowment asset investments	<b>382</b>	<b>11</b>	<b>393</b>
Income for year (note 5)	<b>344</b>	<b>9</b>	<b>353</b>
Expenditure for year	<b>(269)</b>	<b>0</b>	<b>(269)</b>
At 31 July 2004	<u><b>9,061</b></u>	<u><b>252</b></u>	<u><b>9,313</b></u>
Representing:			
Research Endowment Fund	<b>6,969</b>	<b>0</b>	<b>6,969</b>
Other specific endowments	<b>2,092</b>	<b>0</b>	<b>2,092</b>
General endowments	<b>0</b>	<b>252</b>	<b>252</b>
	<u><b>9,061</b></u>	<u><b>252</b></u>	<u><b>9,313</b></u>

**20. Revaluation Reserve**

	<b>Consolidated and University £'000</b>
At 1 August 2003 and 31 July 2004	<u><b>93</b></u>

**21. General Reserve**

	<b>Consolidated £'000</b>	<b>University £'000</b>
At 1 August 2003	30,415	47,727
Surplus after depreciation of assets at historical cost and after tax	<b>1,858</b>	<b>2,390</b>
Transfer of land back to University from subsidiary	<b>0</b>	<b>(5,229)</b>
At 31 July 2004	<u><b>32,273</b></u>	<u><b>44,888</b></u>
Represented by:		
Reserves held by academic departments	<b>5,110</b>	
Reserves held by administrative sections	<b>325</b>	
Capital buildings fund	<b>4,804</b>	
Subsidiaries	<b>(218)</b>	
General reserve	<b>22,252</b>	
	<u><b>32,273</b></u>	

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, after land valued at £5,229,000 was transferred back to the University during the year.

**22. Capital Commitments**

As at 31 July 2004, the University was committed to £0.58m capital expenditure on new buildings (£6.2m 2002-03) £0.58m on demolition works and £2m on refurbishment and upgrading projects (£1.2m 2002-03).

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

	<b>Consolidated</b>	
	<b>2003-04</b>	<b>2002-03</b>
	<b>£'000</b>	<b>£'000</b>
Surplus on continuing operations after depreciation of assets at cost	<b>1,858</b>	3,314
Depreciation (note 10)	<b>2,516</b>	2,038
Deferred capital grants released to income (note 18)	<b>(638)</b>	(662)
Revaluations charged to the Income & Expenditure Account	<b>(39)</b>	(33)
Decrease in investment assets	<b>102</b>	130
(Increase)/decrease in stocks	<b>(43)</b>	1
(Increase) in debtors (note 14)	<b>(1,584)</b>	(2,068)
(Decrease)/increase in creditors	<b>(1,326)</b>	922
(Decrease)/increase in provisions (note 17)	<b>(272)</b>	241
(Profit) on sale of tangible fixed assets (note 4)	<b>(527)</b>	0
Endowment and investment income (note 5)	<b>(913)</b>	(1,217)
Interest paid (note 9)	<b>2,646</b>	1,085
Net Cash Inflow from Operating Activities	<b><u>1,780</u></b>	<b><u>3,751</u></b>

**24. Returns on Investment and Servicing of Finance**

Income from endowment asset investments	<b>353</b>	662
Income from investments	<b>560</b>	555
Interest paid	<b>(2,646)</b>	(1,085)
	<b><u>(1,733)</u></b>	<b><u>132</u></b>

**25. Capital Expenditure and Financial Investment**

Tangible fixed assets acquired (note 11)	<b>(12,762)</b>	(5,819)
Receipts from sale of tangible fixed assets	<b>822</b>	0
Investments acquired	<b>0</b>	(1)
Receipts from sale of investments	<b>147</b>	204
Deferred capital grants received (note 18)	<b>9,721</b>	1,910
	<b><u>(2,072)</u></b>	<b><u>(3,706)</u></b>

**26. Consolidated Financing**

New loans - cashflow	<b>27,000</b>	0
Acquisition of Universal Accommodation Group (note 29)	<b>(24,748)</b>	0
Net cash inflow/(outflow)	<b>2,252</b>	0
Loan repayments	<b>(946)</b>	(994)
New loans - not cashflow (note 28)	<b>0</b>	24,748
Balances at 1 August	<b>44,668</b>	20,914
Balances at 31 July	<b><u>45,974</u></b>	<b><u>44,668</u></b>

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	<b>2003-04 £'000</b>	2002-03 £'000
Decrease in current asset investments	<u><u>1,155</u></u>	<u><u>254</u></u>

**28. Analysis of Changes in Net Debt**

	At 1 August 2003 £'000	<b>Cash Flows £'000</b>	<b>Other Changes £'000</b>	At 31 July 2004 £'000
Cash at bank and in hand	179	<b>95</b>	<b>0</b>	<b>274</b>
Overdraft	(389)	<b>341</b>	<b>0</b>	<b>(48)</b>
	<u>(210)</u>	<u><b>436</b></u>	<u><b>0</b></u>	<u><b>226</b></u>
Current asset investments	8,759	<b>(1,155)</b>	<b>0</b>	<b>7,604</b>
	<u>8,549</u>	<u><b>(719)</b></u>	<u><b>0</b></u>	<u><b>7,830</b></u>
Debt due within one year	(1,108)	<b>856</b>	<b>(1,775)</b>	<b>(2,027)</b>
Debt due after one year	(43,560)	<b>(2,162)</b>	<b>1,775</b>	<b>(43,947)</b>
	<u><u>(36,119)</u></u>	<u><u><b>(2,025)</b></u></u>	<u><u><b>0</b></u></u>	<u><u><b>(38,144)</b></u></u>

**29. Major Non-cash Transactions**

Under Financial Reporting Standard 5, "Substance of Transactions", the acquisition of Universal Accommodation Group Limited, the property and later liability of £24,748,000 were included in the Financial Statements for the year ended 31 July 2003.

**30. 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>2003-04 £'000</b>	2002-03 £'000
Contribution to USS	<b>3,660</b>	3,394
Contribution to LGPS	<b>524</b>	548
LGPS additional University costs to fund past service deficiency	<b>275</b>	242
Contributions to UEPS	<b>578</b>	490
Contributions to other	<b>3</b>	3
Total pension cost	<u><u><b>5,040</b></u></u>	<u><u>4,677</u></u>

### **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.

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 the University is 14% and for employees 6.35%.

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**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 current agreed contribution rates for future years are 19.87% (manual workers - 16.55%) for the University and 6% (manual workers - 5%) for employees.

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 2001
Actuarial method	Projected Unit
Investment returns per annum	6.78% per annum
Pension increases per annum	2.5% per annum
Salary scale increases per annum	4.25% per annum
Market value of assets at date of last valuation (whole fund)	£1,857.5million

Proportion of members' accrued benefits covered by the actuarial value of assets (whole fund) 88.6%

**Actuarial Assumptions**

A full actuarial valuation was carried out at 31 March 2001, and updated to 31 July 2004 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31-Jul-04 %	At 31-Jul-03 %	At 31-Jul-02 %
Rate of increase in salaries	<b>4.60</b>	4.30	4.30
Rate of increase in pension payments	<b>2.80</b>	2.50	2.50
Expected return on assets	<b>7.22</b>	7.22	7.20
Discount rate for liabilities	<b>5.70</b>	5.40	5.90
Inflation assumptions	<b>2.80</b>	2.50	2.50

The assets in the scheme (of which the University's estimated share is 1.2%) and the expected rate of return were:

	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	Long-term rate of return expected at 31-Jul-02 %	Whole fund value at 31-Jul-02 £'000
Equities	<b>7.50</b>	<b>1,292,000</b>	8.00	1,180,000	8.00	1,051,000
Gilts	<b>5.00</b>	<b>184,000</b>	4.70	168,000	4.90	68,000
Bonds	<b>5.70</b>	<b>175,000</b>	5.40	159,000	5.90	241,000
Property	<b>6.50</b>	<b>218,000</b>	6.70	200,000	5.90	170,000
Cash	<b>4.50</b>	<b>28,000</b>	3.50	26,000	4.50	67,000
Total market value of assets		<b><u>1,897,000</u></b>		<b><u>1,733,000</u></b>		<b><u>1,597,000</u></b>
University of Essex estimated asset share		<b>22,583</b>		20,922		19,260
Present value of scheme liabilities		<b>(35,331)</b>		(33,874)		(29,070)
(Deficit)/surplus in the scheme		<b><u>(12,748)</u></b>		<b><u>(12,952)</u></b>		<b><u>(9,810)</u></b>
		<b>64%</b>		62%		66%

**History of Experience Gains and Losses**

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

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**Local Government Pension Scheme (continued)**

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:

	<b>At 31-Jul-04 £'000</b>	At 31-Jul-03 £'000
<b>Balance Sheet Presentation</b>		
Net assets excluding FRS 17 pension (liability)	<b>61,307</b>	51,348
Net pension (liability)	<b>(12,748)</b>	(12,952)
Net assets including FRS 17 pension (liability)	<b>48,559</b>	38,396

**General Reserves Note**

Income and expenditure account excluding FRS 17 pension (liability)	<b>32,273</b>	30,415
Pension scheme reserve	<b>(12,748)</b>	(12,952)
Income and expenditure account including FRS 17 pension (liability)	<b>19,525</b>	17,463

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	<b>(825)</b>	(743)
Past service costs	<b>(38)</b>	0
Total operating charge	<b>(863)</b>	(743)

**Analysis of net return on pension scheme**

Expected return on pension scheme assets	<b>1,500</b>	1,405
Interest on pension liabilities	<b>(1,818)</b>	(1,727)
Net return	<b>(318)</b>	(322)

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

Actual return less expected return on pension scheme assets	<b>469</b>	(368)
Changes in assumptions underlying the present value of scheme liabilities	<b>0</b>	(2,642)
Actuarial gain/(loss) recognised in the STRGL	<b>469</b>	(3,010)

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

(Deficit) in scheme at 1 August 2003	<b>(12,952)</b>	(9,810)
Movements in the year:		
Current service charge	<b>(825)</b>	(743)
Contributions	<b>916</b>	933
Past service costs	<b>(38)</b>	0
Net interest/return on assets	<b>(318)</b>	(322)
Actuarial gains/(losses)	<b>469</b>	(3,010)
(Deficit) in scheme at 31 July 2004	<b>(12,748)</b>	(12,952)



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**University of Essex Pension Scheme (UEPS)**

The UEPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The current agreed contribution rates for future years are 14.1% for the University and 6% for employees.

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 July 2001
Actuarial method	Projected Unit
Investment returns per annum	6.5% per annum
Pension increases per annum	2.5% per annum
Salary scale increases per annum	4.0% per annum
Market value of assets at date of last valuation	\$757,000

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

**Actuarial Assumptions**

A full actuarial valuation was carried out at 31 July 2001, and updated to 31 July 2004 by a qualified independent actuary. The major assumptions used by the actuary were:

	<b>At 31-Jul-04</b>	At 31-Jul-03	At 31-Jul-02
	%	%	%
Rate of increase in salaries	<b>3.9</b>	3.8	3.6
Rate of increase in pension payments	<b>2.9</b>	2.8	2.6
Expected return on assets	<b>7.5</b>	7.2	7.2
Discount rate for liabilities	<b>5.7</b>	5.5	6.0
Inflation assumptions	<b>2.9</b>	2.8	2.6

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

	<b>Long-term rate of return expected at 31-Jul-04</b>	<b>Whole fund value at 31-Jul-04 £'000</b>	Long-term rate of return expected at 31-Jul-03	Whole fund value at 31-Jul-03 £'000	Long-term rate of return expected at 31-Jul-02	Whole fund value at 31-Jul-02 £'000
	%		%		%	
Equities	<b>7.5</b>	<b>3,228</b>	7.2	2,001	7.4	1,114
Cash	<b>4.3</b>	<b>41</b>	4.0	31	4.0	75
Total market value of assets		<b><u>3,269</u></b>		<u>2,032</u>		<u>1,189</u>
Present value of scheme liabilities		<b>4,262</b>		2,786		1,474
(Deficit) in the scheme		<b><u>(993)</u></b>		<u>(754)</u>		<u>(285)</u>
		<b>77%</b>		73%		81%

**History of Experience Gains and Losses**

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

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**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 institution's share of the deficit of the scheme. If provision were made, the following entries would be made:

	<b>At 31-Jul-04 £'000</b>	At 31-Jul-03 £'000
<b>Balance Sheet Presentation</b>		
Net assets excluding FRS 17 pension (liability)	<b>61,307</b>	51,348
Net pension (liability)	<b>(993)</b>	(754)
Net assets including FRS 17 pension (liability)	<b>60,314</b>	50,594

**General Reserves Note**

Income and expenditure account excluding FRS 17 pension (liability)	<b>32,273</b>	30,415
Pension scheme reserve	<b>(993)</b>	(754)
Income and expenditure account including FRS 17 pension (liability)	<b>31,280</b>	29,661

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	<b>(847)</b>	(545)
Total operating charge	<b>(847)</b>	(545)

**Analysis of net return on pension scheme**

Expected return on pension scheme assets	<b>182</b>	115
Interest on pension liabilities	<b>(190)</b>	(114)
Net return	<b>(8)</b>	1

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

Actual return less expected return on pension scheme assets	<b>72</b>	(93)
Experience gains and losses arising on the scheme liabilities	<b>(71)</b>	141
Changes in assumptions underlying the present value of scheme liabilities	<b>114</b>	(492)
Actuarial gain/(loss) recognised in the STRGL	<b>115</b>	(444)

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

(Deficit) in scheme at 1 August 2003	<b>(754)</b>	(285)
Movements in the year:		
Current service charge	<b>(847)</b>	(545)
Contributions	<b>607</b>	517
Other finance income	<b>1</b>	2
Other outgoings	<b>(107)</b>	0
Net interest/return on assets	<b>(8)</b>	1
Actuarial gains/(losses)	<b>115</b>	(444)
(Deficit) in scheme at 31 July 2004	<b>(993)</b>	(754)

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**31. University Companies**

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

<u>Company</u>	At 31 July 2004 <u>£1 Shares</u>	At 31 July 2003 <u>£1 Shares</u>	<u>Activity</u>
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	17,420,002	17,370,002	Holding land on behalf of the University for development as a Research Park.
University of Essex Research Park Ltd	-	50,002	Development and marketing of a Research Park. During the year the shares were transferred to University of Essex Research Park Holdings Ltd
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 (see note 12)

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

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

	Year-end date	<b>2003-04</b> <b>£'000</b>	2002-03 £'000
<u>Wholly-owned subsidiaries:</u>			
Wivenhoe Technology Ltd	31 July	<b>(9)</b>	(4)
W P Management Ltd	31 July	<b>286</b>	226
University of Essex Research Park Holdings Ltd	31 July	<b>(1)</b>	0
Universal Accommodation Group Limited	31 July	<b>(429)</b>	0
University of Essex Research Park Ltd	31 July	<b>(1)</b>	0
Technologica Ltd	31 July	<b>5</b>	(13)
		<b><u>(149)</u></b>	<b><u>209</u></b>

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 transferred 40 acres of land into a wholly-owned subsidiary company, University of Essex Research Park Holdings Ltd, in exchange for £17,350,000 of redeemable preference shares in 2001-02. A further £70,000 of redeemable shares have been issued by the company and were acquired by the University.

**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004**

**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:

<u>Company</u>	Year-end date	<b>2003-04</b> <b>£'000</b>	2002-03 £'000
Carisbrooke-Essex Partnership	31 July	<b>(40)</b>	0
Nesstar Ltd (unaudited)	30 June	<b>(63)</b>	(273)
U C (Suffolk) Ltd (unaudited)	30 March	<b>0</b>	0
		<b><u>(103)</u></b>	<b><u>(273)</u></b>

**32. Hardship Funds**

	<b>University</b>	
	<b>2003-04</b> <b>£'000</b>	2002-03 £'000
Funding council grants received	<b>350</b>	321
Interest earned	<b>4</b>	5
	<b><u>354</u></b>	<u>326</u>
Disbursed to students	<b>351</b>	325
Balance unspent at 31 July	<b><u>3</u></b>	<u>1</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 & Expenditure Account.

**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2004**

**33. Related Party Transactions**

The related parties of the University are the wholly and partially owned subsidiary undertakings (listed in note 31 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 2004 the University paid the Union a grant of £352,244 (2002-03: £334,100), 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 2004 was £837,245 (2002-03 £744,790), (see note 14).

For the 2003-04 year, the Union's draft income and expenditure account shows the following:

	<b>2003-04</b>	2002-03
	<b>£'000</b>	£'000
Income	<b>848</b>	866
Expenditure	<b>879</b>	820
Operating (deficit)/surplus before transfers from/(to) reserves	<b>(31)</b>	46
Transfers from/(to) reserves	<b>0</b>	0
(Deficit)/surplus after transfers from/(to) reserves	<b>(31)</b>	46

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

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

**NOTES TO THE  
FINANCIAL STATEMENTS  
FIVE-YEAR SUMMARY OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 JULY 2004**

	1999-2000 £'000	2000-01 £'000	2001-02 £'000	2002-03 £'000	2003-04 £'000
<b>INCOME AND EXPENDITURE ACCOUNT</b>					
<b>Income</b>					
Funding council grants	18,738	20,916	23,078	24,313	<b>25,772</b>
Tuition fees and educational contracts	14,878	17,201	19,213	23,639	<b>25,574</b>
Research grants and contracts	9,073	11,050	10,376	13,280	<b>12,631</b>
Other income	10,892	13,421	14,649	14,704	<b>17,978</b>
Endowment and investment income	1,368	1,356	1,135	1,217	<b>913</b>
Total income	<b>54,949</b>	<b>63,944</b>	<b>68,451</b>	<b>77,153</b>	<b>82,868</b>
<b>Expenditure</b>					
Staff costs	34,408	37,966	41,217	46,122	<b>50,349</b>
Other operating expenses	17,516	21,455	22,565	24,401	<b>25,313</b>
Depreciation	1,275	1,671	1,892	2,038	<b>2,516</b>
Interest paid	1,075	1,447	1,301	1,085	<b>2,646</b>
Total expenditure	<b>54,274</b>	<b>62,539</b>	<b>66,975</b>	<b>73,646</b>	<b>80,824</b>
<b>Surplus for the year</b>	<b>675</b>	<b>1,405</b>	<b>1,476</b>	<b>3,507</b>	<b>2,044</b>
Realisation of revaluation gains in previous years	0	305	0	54	<b>0</b>
Share of operating loss in joint venture	0	0	0	(137)	<b>(102)</b>
Less surplus/(deficit) on endowment funds	(140)	(126)	(53)	56	<b>84</b>
Surplus after joint venture and exceptional items	<b>815</b>	<b>1,531</b>	<b>1,529</b>	<b>3,314</b>	<b>1,858</b>
<b>BALANCE SHEET AS AT 31 JULY</b>					
Total fixed assets	52,703	53,724	53,566	81,813	<b>91,554</b>
Endowment assets	11,858	10,627	8,771	8,495	<b>9,313</b>
Current assets	14,951	17,318	15,102	16,719	<b>15,478</b>
Creditors: amounts falling due within one year	(9,529)	(10,622)	(10,026)	(11,263)	<b>(10,507)</b>
Total assets less current liabilities	<b>69,983</b>	<b>71,047</b>	<b>67,413</b>	<b>95,764</b>	<b>105,838</b>
Creditors: amounts falling due after more than one year	(19,562)	(20,456)	(19,754)	(43,560)	<b>(43,947)</b>
Provisions for liabilities	(849)	(881)	(615)	(856)	<b>(584)</b>
Net assets	<b>49,572</b>	<b>49,710</b>	<b>47,044</b>	<b>51,348</b>	<b>61,307</b>
Deferred capital grants	13,328	13,369	11,097	12,345	<b>19,628</b>
Endowments	11,858	10,627	8,771	8,495	<b>9,313</b>
Reserves	24,386	25,714	27,176	30,508	<b>32,366</b>
Total funds	<b>49,572</b>	<b>49,710</b>	<b>47,044</b>	<b>51,348</b>	<b>61,307</b>
<b>FINANCIAL STATISTICS</b>					
Surplus as a percentage of turnover	1.5%	2.4%	2.3%	4.5%	<b>2.3%</b>
Margin on research grants and contracts <i>(income less direct expenditure/income)</i>	15.3%	16.9%	16.5%	19.7%	<b>18.0%</b>
Margin on residences, catering & conferences <i>(income less direct expenditure/income)</i>	10.4%	11.9%	12.8%	14.8%	<b>4.9%</b>
Current ratio <i>(current assets/current liabilities)</i>	1.6	1.6	1.5	1.5	<b>1.5</b>
Debt as percentage of total turnover	35.6%	32.0%	28.9%	57.1%	<b>55.5%</b>
Liquidity days <i>(number of days of average expenditure excluding depreciation supported by cash balances)</i>	81	67	53	45	<b>37</b>
Debtor days <i>(number of days income excluding Funding Council grant represented by debtors due within one year)</i>	24	37	37	34	<b>42</b>

**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
Pro-Vice-Chancellors	Professor Rob Massara Professor Jim Richmond Professor Michael Sherer Dr Sam Steel

**Appointed members by Court**

Mr Allan Blundell  
Ms Nicola Colston  
Mrs Joy MacMillan

**Co-opted members**

Mr John Burrow  
Dr Tony Elston  
Mr Colin Harker  
Mr Alan Hayman  
Mrs Caroline Haynes  
Mr Michael Hughes  
Sir Robin Mountfield  
Lord Newton  
Mr Peter Rainbird  
Ms Auriol Stevens

**Elected members from Senate**

Professor Joan Busfield  
Mrs Sandra Cardew  
Professor John Dowden  
Professor Joe Foweraker  
Mr David Lyons  
Mr Bob Mack  
Professor Frances Millard  
Professor Abhinay Muthoo  
Professor David Nedwell  
Dr Fiona Venn  
Professor Jane Wright

**Students' Union members**

President of Students' Union	Mr Darren Jones
Vice-President (Finance & Services) of Students' Union	Mr Chia Shamsaddini

**Observer**

South East Essex College	Ms Jan Hodges
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