

## NOTES TO THE ACCOUNTS

	2005 £m	2004 £m
<b>1 Funding Council and Teacher Training Agency grants</b>		
<b>Higher Education Funding Council for England (HEFCE)</b>		
Recurrent grant	142.2	136.7
Specific grants	10.9	9.6
Deferred capital grant released in year (note 21)		
Equipment	4.1	3.0
Buildings	1.3	1.7
<b>HEFCE total</b>	<b>158.5</b>	151.0
<b>Teacher Training Agency</b>		
Recurrent grant	3.8	3.9
	<b>162.3</b>	154.9
<b>2 Academic fees and support grants</b>		
Full-time home students	21.2	20.3
Full-time overseas students	25.7	24.6
Part-time course fees	8.2	11.0
Research Training Support Grants	0.9	1.4
	<b>56.0</b>	57.3
<b>3 Income: research grants and contracts</b>		
Research councils	72.5	66.4
UK based charities	57.2	52.3
Other bodies	59.0	57.6
	<b>188.7</b>	176.3
<b>4 Examination and assessment services</b>		
Examination fees	146.4	138.5
Other examination and assessment services	14.7	12.2
	<b>161.1</b>	150.7
<b>5 Other income</b>		<i>Restated</i>
Other services rendered	22.0	21.6
Health and hospital authorities	12.2	9.1
Catering	3.5	4.5
AHRB museum grant	1.5	1.4
University companies	8.0	6.8
Released from deferred capital grants (note 21)	6.5	4.9
General donations	8.8	10.5
Specific donations released in the year	14.5	12.8
Surplus on disposal of tangible fixed assets	–	2.8
Sundry income	8.7	7.5
	<b>85.7</b>	81.9

**NOTES TO THE ACCOUNTS (continued)**

	<b>2005</b>	2004
	<b>£m</b>	£m
<b>6 Endowment and investment income</b>		<i>Restated</i>
Income from specific endowment asset investments	<b>24.2</b>	20.8
Income from general endowment asset investments	<b>0.3</b>	0.2
Other income credited to specific endowments	<b>1.7</b>	1.1
Other investment income	<b>14.7</b>	14.7
	<b>40.9</b>	36.8

	<b>2005</b>	2004
	<b>£m</b>	£m
<b>7 Staff costs</b>		<i>Restated</i>
Wages and salaries	<b>274.9</b>	262.6
Social security costs	<b>23.6</b>	22.3
Pension costs (note 28)	<b>36.2</b>	36.3
	<b>334.7</b>	321.2

	<b>2005</b>	2004
	<b>£000</b>	£000
<b>Emoluments of the Vice-Chancellor</b>		
Emoluments excluding employer's pension contributions	<b>190</b>	180
Employer's pension contributions	–	3
	<b>190</b>	183

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

	<b>Clinical</b>		<b>Non-Clinical</b>		<b>Total number</b>	
	<b>2005</b>	2004	<b>2005</b>	2004	<b>2005</b>	2004
		<i>Restated</i>				<i>Restated</i>
£70,000–£80,000	<b>31</b>	36	<b>37</b>	47	<b>68</b>	83
£80,001–£90,000	<b>19</b>	16	<b>20</b>	11	<b>39</b>	27
£90,001–£100,000	<b>15</b>	7	<b>3</b>	11	<b>18</b>	18
£100,001–£110,000	<b>11</b>	17	<b>5</b>	4	<b>16</b>	21
£110,001–£120,000	<b>8</b>	3	<b>5</b>	–	<b>13</b>	3
£120,001–£130,000	<b>10</b>	9	<b>1</b>	2	<b>11</b>	11
£130,001–£140,000	<b>6</b>	2	<b>2</b>	1	<b>8</b>	3
£140,001–£150,000	<b>4</b>	3	–	–	<b>4</b>	3
£150,001–£160,000	<b>4</b>	8	–	–	<b>4</b>	8
£160,001–£170,000	<b>6</b>	–	<b>1</b>	2	<b>7</b>	2
£170,001–£180,000	<b>6</b>	3	–	1	<b>6</b>	4
£180,001–£190,000	<b>1</b>	2	<b>1</b>	1	<b>2</b>	3
£190,001–£200,000	<b>2</b>	–	–	–	<b>2</b>	–
£200,001–£210,000	–	–	<b>1</b>	–	<b>1</b>	–

The above statistics include additional payments to employees of the University on behalf of NHS bodies.

**NOTES TO THE ACCOUNTS (continued)****8 Analysis of expenditure by activity**

	Staff costs £m	Other operating expenses £m	Deprec- iation £m	2005 Total £m	2004 <i>Restated</i> £m
Academic departments	135.4	24.6	7.2	167.2	162.2
Academic services	16.2	9.1	0.8	26.1	23.9
Payments to colleges (see note 31)	–	30.1	–	30.1	30.1
Research grants and contracts	85.2	69.0	8.2	162.4	153.0
Other activities:					
Examinations and assessment services	48.8	102.4	2.2	153.4	137.4
Other services rendered	9.0	13.0	0.1	22.1	19.9
University companies	1.2	4.9	–	6.1	5.5
Catering	1.8	4.1	0.1	6.0	6.8
Other activities total	60.8	124.4	2.4	187.6	169.6
Administration and central services:					
Administration	19.3	6.5	1.0	26.8	25.5
General educational	2.4	21.6	0.1	24.1	26.2
Staff and student facilities	2.5	0.6	–	3.1	2.7
Development office	1.8	2.3	–	4.1	3.7
Other	1.2	1.1	–	2.3	9.2
Administration and central services total	27.2	32.1	1.1	60.4	67.3
Premises	9.9	30.3	18.9	59.1	59.9
<b>Total per income and expenditure account</b>	<b>334.7</b>	<b>319.6</b>	<b>38.6</b>	<b>692.9</b>	<b>666.0</b>

The depreciation charge has been funded by:	Deferred capital grants (note 21)	20.3
	Revaluation reserve (note 23)	7.3
	General income	11.0
		<u>38.6</u>

**Auditors' remuneration**

<b>2005</b>	2004
<b>£000</b>	£000
	<i>Restated</i>

Other operating expenses include:

Audit fees payable to the University's external auditors	191	183
Other fees payable to the University's external auditors	–	22
Audit fees payable to other firms	108	82
	<u>108</u>	<u>82</u>

These amounts include related irrecoverable VAT.

**9 Surplus / (deficit) on continuing operations for the year**

<b>2005</b>	2004
<b>£m</b>	£m
	<i>Restated</i>

The surplus / (deficit) on continuing operations for the year is made up as follows:

University's deficit for the year	(4.1)	(13.8)
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	2.4	2.9
	<u>2.4</u>	<u>2.9</u>
Deficit dealt with in the accounts of the University	(1.7)	(10.9)
Group level adjustments re defined benefit schemes	(1.3)	0.9
Surplus retained in subsidiary undertakings	4.8	1.9
	<u>1.8</u>	<u>(8.1)</u>

**NOTES TO THE ACCOUNTS (continued)****10 Segmental reporting**

The group consisting of the University and its subsidiary undertakings has two principal classes of activity:

<b>Academic</b>	Includes teaching and research
<b>Assessment</b>	Examination and assessment services, carried out by the University of Cambridge Examinations Syndicate and subsidiary undertakings, collectively known as Cambridge Assessment.

	<b>Academic 2005 £m</b>	<b>Assessment 2005 £m</b>	<b>Group 2005 £m</b>	Academic 2004 £m <i>Restated</i>	Assessment 2004 £m	Group 2004 £m <i>Restated</i>
<b>Total income</b>						
Segment total income	<b>548.3</b>	<b>165.4</b>	<b>713.7</b>	506.6	155.0	661.6
Inter-segment income	<b>(18.7)</b>	–	<b>(18.7)</b>	(4.4)	–	(4.4)
Income from third parties	<b>529.6</b>	<b>165.4</b>	<b>695.0</b>	502.2	155.0	657.2
Unallocated income re CPS (see note 20)			<b>(0.3)</b>			0.7
Total income			<b>694.7</b>			657.9
<b>Surplus / (deficit) on continuing operations</b>						
Segment (deficit) / surplus	<b>15.4</b>	<b>(12.1)</b>	<b>3.3</b>	(14.2)	5.4	(8.8)
Unallocated net (loss) / gain re CPS (see note 20)			<b>(1.5)</b>			0.7
Group surplus / (deficit) on continuing operations			<b>1.8</b>			(8.1)
<b>Net assets</b>						
Segment net assets	<b>1,858.4</b>	<b>147.9</b>	<b>2,006.3</b>	1,635.4	146.7	1,782.1
Unallocated liability re CPS (see note 20)			<b>(82.8)</b>			(70.6)
Group net assets			<b>1,923.5</b>			1,711.5

**11 Prior year adjustments**

The basis of preparation of these financial statements differs from the basis of preparation of the University's financial statements for the previous year. These financial statements include for the first time the income and expenditure, assets and liabilities of five Trusts which have been consolidated as subsidiary undertakings. The Trusts are the Gates Cambridge Trust, the Cambridge Commonwealth Trust, the Cambridge Overseas Trust, the Cambridge European Trust and the Malaysian Commonwealth Studies Centre in Cambridge. Comparative figures have been restated to reflect the revised basis of preparation. The effect of the prior year adjustments on the result for the year is as follows.

	<b>2005 £m</b>	2004 £m
Deficit for the year under previous basis of preparation and accounting policies	<b>(0.5)</b>	(8.9)
Change in basis of preparation: Inclusion of Cambridge Trusts	<b>2.3</b>	0.8
Surplus / (deficit) for the year as restated	<b>1.8</b>	(8.1)
The effect of these changes on opening net assets at 1 August 2004 is as follows:		<b>Group £m</b>
Increase in reserves		<b>81.0</b>
Increase in endowments		<b>138.2</b>
Overall effect of change in basis of preparation		<b>219.2</b>
Opening net assets at 1 August 2004 as previously reported		<b>1,492.3</b>
Opening net assets at 1 August 2004 as restated		<b>1,711.5</b>

**NOTES TO THE ACCOUNTS (continued)**

<b>12 Tangible fixed assets</b>	<b>Land and buildings</b>	<b>Assets in construction</b>	<b>Equipment</b>	<b>Heritage assets</b>	<b>2005 Total</b>	<b>2004 Restated</b>
<i>Group</i>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Cost or valuation</b>						
At 1 August: As previously stated	<b>705.5</b>	<b>112.9</b>	<b>136.3</b>	<b>10.7</b>	<b>965.4</b>	862.5
Prior year adjustments (see note 11)	<b>1.8</b>	–	<b>0.5</b>	–	<b>2.3</b>	0.8
Restated opening balance	<b>707.3</b>	<b>112.9</b>	<b>136.8</b>	<b>10.7</b>	<b>967.7</b>	863.3
Additions at cost	<b>8.2</b>	<b>68.0</b>	<b>24.0</b>	<b>3.6</b>	<b>103.8</b>	112.5
Transfers	<b>73.4</b>	<b>(73.4)</b>	–	–	–	–
Disposals	–	–	<b>(0.5)</b>	–	<b>(0.5)</b>	(8.1)
At 31 July	<b>788.9</b>	<b>107.5</b>	<b>160.3</b>	<b>14.3</b>	<b>1,071.0</b>	967.7
<b>Depreciation</b>						
At 1 August: As previously stated	<b>89.9</b>	–	<b>96.1</b>	–	<b>186.0</b>	156.4
Prior year adjustments (see note 11)	<b>0.2</b>	–	<b>0.4</b>	–	<b>0.6</b>	0.5
Restated opening balance	<b>90.1</b>	–	<b>96.5</b>	–	<b>186.6</b>	156.9
Charge for the year	<b>19.0</b>	–	<b>19.6</b>	–	<b>38.6</b>	36.8
Elimination on disposals	–	–	<b>(0.5)</b>	–	<b>(0.5)</b>	(7.1)
At 31 July	<b>109.1</b>	–	<b>115.6</b>	–	<b>224.7</b>	186.6
<b>Net book value</b>						
At 31 July	<b>679.8</b>	<b>107.5</b>	<b>44.7</b>	<b>14.3</b>	<b>846.3</b>	781.1
At 1 August (restated)	617.2	112.9	40.3	10.7	781.1	706.4
<b>University</b>						
<b>Cost or valuation</b>						
At 1 August	<b>696.7</b>	<b>115.3</b>	<b>133.0</b>	<b>10.7</b>	<b>955.7</b>	850.0
Additions at cost	<b>7.6</b>	<b>68.0</b>	<b>23.8</b>	<b>3.6</b>	<b>103.0</b>	111.9
Transfers	<b>75.6</b>	<b>(75.6)</b>	–	–	–	–
Disposals	–	–	<b>(0.5)</b>	–	<b>(0.5)</b>	(6.2)
At 31 July	<b>779.9</b>	<b>107.7</b>	<b>156.3</b>	<b>14.3</b>	<b>1,058.2</b>	955.7
<b>Depreciation</b>						
At 1 August:	<b>85.6</b>	–	<b>93.2</b>	–	<b>178.8</b>	150.6
Charge for the year	<b>18.7</b>	–	<b>19.4</b>	–	<b>38.1</b>	33.3
Elimination on disposals	–	–	<b>(0.4)</b>	–	<b>(0.4)</b>	(5.1)
At 31 July	<b>104.3</b>	–	<b>112.2</b>	–	<b>216.5</b>	178.8
<b>Net book value</b>						
At 31 July	<b>675.6</b>	<b>107.7</b>	<b>44.1</b>	<b>14.3</b>	<b>841.7</b>	776.9
At 1 August	611.1	115.3	39.8	10.7	776.9	699.4

Land and buildings includes land totalling £73.6m (2004: £71.7m) which is not depreciated.

The cost to the group of buildings and assets in construction consists of the cost incurred by the University less the surplus recorded in the accounts of Lynxvale Limited, a subsidiary undertaking, and eliminated on consolidation.

**13 Intangible fixed assets: goodwill**

	<b>Group 2005</b>	<b>Group 2004</b>
	<b>£m</b>	<b>£m</b>
Opening balance: as previously stated	<b>2.1</b>	2.7
Additions / (disposals) in the year	–	–
Amortisation charge for the year	<b>(0.6)</b>	(0.6)
Closing balance	<b>1.5</b>	2.1

**NOTES TO THE ACCOUNTS (continued)**

<b>14 Fixed asset investments</b>	<b>Group 2005 £m</b>	Group 2004 £m <i>Restated</i>	<b>University 2005 £m</b>	University 2004 £m <i>Restated</i>
Opening balance as previously stated	<b>196.3</b>	177.6	<b>209.3</b>	190.9
Prior year adjustment (see note 11)	<b>67.8</b>	62.7	–	–
Restated opening balance	<b>264.1</b>	240.3	<b>209.3</b>	190.9
Additions / (disposals) in the year	<b>(14.9)</b>	12.9	<b>(14.9)</b>	10.2
Increase in market value of investments	<b>43.4</b>	10.9	<b>28.6</b>	8.2
Closing balance	<b>292.6</b>	264.1	<b>223.0</b>	209.3
Represented by:				
Property	<b>61.0</b>	58.8	<b>53.2</b>	51.4
Securities	<b>214.8</b>	182.0	<b>143.8</b>	121.7
Money market investments	<b>8.0</b>	14.2	<b>6.3</b>	9.1
Investments in subsidiary undertakings	–	–	<b>15.2</b>	21.4
Investment in spin-out companies (see note 29)	<b>8.2</b>	7.4	<b>3.1</b>	4.0
Cash in hand and at investment managers	<b>0.3</b>	0.5	<b>0.2</b>	0.5
Investments in joint ventures	<b>0.1</b>	–	–	–
Other	<b>0.2</b>	1.2	<b>1.2</b>	1.2
	<b>292.6</b>	264.1	<b>223.0</b>	209.3
<b>15 Endowment asset investments</b>				
Long-term Investments				
Property	<b>88.1</b>	79.3	<b>73.7</b>	66.2
Securities	<b>540.9</b>	433.0	<b>412.4</b>	323.2
Money market investments	<b>67.2</b>	72.2	<b>65.5</b>	71.5
Loan to subsidiary undertaking	–	–	<b>2.4</b>	–
Cash in hand and at investment managers	<b>2.9</b>	–	<b>0.6</b>	–
	<b>699.1</b>	584.5	<b>554.6</b>	460.9
Investment in spin-out companies (see note 29)	<b>2.4</b>	3.9	–	–
Short-term deposits	<b>11.1</b>	14.1	–	2.3
Bank balances	<b>1.1</b>	5.2	<b>0.1</b>	4.2
	<b>713.7</b>	607.7	<b>554.7</b>	467.4
Included in the Group's endowment asset investments is £149.7m (2004: £130.3m) relating to the Gates Cambridge Trust. The use of these assets is restricted to supporting the University by enabling persons from any part of the world outside the United Kingdom to benefit from education in the University by the provision of scholarships and grants and otherwise. The assets of the Gates Cambridge Trust are therefore not available for the general purposes of the University.				
<b>16 Debtors</b>				
Research grants recoverable	<b>57.2</b>	60.3	<b>57.2</b>	60.3
Amounts due from subsidiary undertakings	–	–	<b>4.3</b>	15.7
Debtors re examination and assessment services	<b>35.4</b>	23.6	<b>24.3</b>	15.7
Other debtors	<b>41.1</b>	25.4	<b>35.4</b>	21.6
	<b>133.7</b>	109.3	<b>121.2</b>	113.3

**NOTES TO THE ACCOUNTS (continued)**

<b>17 Current asset investments</b>	<b>Group 2005 £m</b>	<b>Group 2004 £m <i>Restated</i></b>	<b>University 2005 £m</b>	<b>University 2004 £m <i>Restated</i></b>
Property	5.2	5.3	13.9	13.6
Securities	29.2	26.3	76.9	65.7
Money market investments	132.2	162.7	135.7	167.5
Short-term deposits	37.6	29.3	37.7	30.0
	<b>204.2</b>	223.6	<b>264.2</b>	276.8
Representing:				
University	198.9	214.8	160.5	164.0
Held on behalf of subsidiary undertakings, related parties and other associated bodies (see note 18)	5.3	8.8	103.7	112.8
	<b>204.2</b>	223.6	<b>264.2</b>	276.8

Current asset investments include investments held on behalf of subsidiary undertakings, related parties (see note 30) and other associated bodies. The book value of these investments is included in creditors due within one year.

<b>18 Creditors: amounts falling due within one year</b>				
Bank overdraft	3.7	7.7	3.7	7.6
Research grants received in advance	53.4	56.1	53.4	56.1
Creditors re examination and assessment services	38.0	32.6	22.7	18.1
Other creditors	90.5	105.2	80.1	94.4
Investments held on behalf of subsidiary undertakings, related parties and other associated bodies (see note 17)	5.3	8.8	103.7	112.8
	<b>190.9</b>	210.4	<b>263.6</b>	289.0
<b>19 Creditors: amounts falling due after more than one year</b>				
Amounts due to subsidiary undertakings	–	–	10.6	10.6
	–	–	10.6	10.6

**20 Pension liability**

The pension liability has been measured in accordance with the requirements of FRS 17 and relates to the Cambridge University Assistants' Contributory Pension Scheme (CPS) and the RSA Examinations Board Scheme (RSAEBS). See also note 28.

	<b>CPS 2005 £m</b>	<b>RSAEBS 2005 £m</b>	<b>Group 2005 £m</b>	<b>Group 2004 £m</b>
Opening balance	70.6	2.2	72.8	56.6
Movement in year:				
Current service cost including life assurance	11.1	0.2	11.3	12.9
Contributions	(9.9)	(0.4)	(10.3)	(13.1)
Other finance cost / (income)	0.3	–	0.3	(0.7)
Actuarial loss recognised in statement of total recognised gains and losses	10.7	0.2	10.9	17.1
Closing balance	<b>82.8</b>	<b>2.2</b>	<b>85.0</b>	72.8

**NOTES TO THE ACCOUNTS (continued)****21 Deferred capital grants**

<i>Group and University</i>	<b>Funding Council £m</b>	<b>Research Grants £m</b>	<b>Other Grants £m</b>	<b>2005 Total £m</b>	2004 £m
Balance 1 August					
Buildings	<b>89.8</b>	–	<b>227.8</b>	<b>317.6</b>	274.0
Equipment	<b>8.9</b>	<b>15.6</b>	<b>2.3</b>	<b>26.8</b>	24.9
Heritage assets	–	–	<b>10.7</b>	<b>10.7</b>	10.2
	<b>98.7</b>	<b>15.6</b>	<b>240.8</b>	<b>355.1</b>	309.1
Grants received					
Buildings	<b>5.3</b>	–	<b>66.0</b>	<b>71.3</b>	49.3
Equipment	<b>5.1</b>	<b>7.9</b>	<b>2.0</b>	<b>15.0</b>	13.1
Heritage assets	–	–	<b>3.5</b>	<b>3.5</b>	0.5
	<b>10.4</b>	<b>7.9</b>	<b>71.5</b>	<b>89.8</b>	62.9
Released to income and expenditure for depreciation					
Buildings	<b>(1.3)</b>	–	<b>(5.3)</b>	<b>(6.6)</b>	(5.7)
Equipment	<b>(4.1)</b>	<b>(8.3)</b>	<b>(1.3)</b>	<b>(13.7)</b>	(11.2)
	<b>(5.4)</b>	<b>(8.3)</b>	<b>(6.6)</b>	<b>(20.3)</b>	(16.9)
Balance 31 July					
Buildings	<b>93.8</b>	–	<b>288.5</b>	<b>382.3</b>	317.6
Equipment	<b>9.9</b>	<b>15.2</b>	<b>3.0</b>	<b>28.1</b>	26.8
Heritage assets	–	–	<b>14.2</b>	<b>14.2</b>	10.7
	<b>103.7</b>	<b>15.2</b>	<b>305.7</b>	<b>424.6</b>	355.1

## NOTES TO THE ACCOUNTS (continued)

## 22 Endowments

<i>Group</i>	Specific £m	General £m	2005 Total £m	2004 Total £m
Balance 1 August				
As previously stated	463.5	6.0	469.5	421.4
Prior year adjustment (see note 11)	138.2	–	138.2	134.6
Restated opening balance	601.7	6.0	607.7	556.0
Permanent endowments received	13.7	–	13.7	29.9
Income receivable from endowment asset investments	24.2	0.3	24.5	21.3
Donations and other income	1.7	–	1.7	1.1
Expenditure	(23.6)	(0.3)	(23.9)	(22.2)
Excess of income over expenditure retained in specific endowments	2.3	–	2.3	0.2
Increase in market value of investments	89.1	0.9	90.0	21.6
Balance 31 July	706.8	6.9	713.7	607.7
<i>University</i>				
Balance 1 August	461.4	6.0	467.4	419.7
Permanent endowments received	16.1	–	16.1	29.9
Income receivable from endowment asset investments	19.4	0.3	19.7	17.2
Donations and other income	1.5	–	1.5	1.1
Expenditure	(18.5)	(0.3)	(18.8)	(16.5)
Excess of income over expenditure retained in specific endowments	2.4	–	2.4	1.8
Increase in market value of investments	67.9	0.9	68.8	16.0
Balance 31 July	547.8	6.9	554.7	467.4
<b>Representing:</b>				
Trust and Special Funds:				
Professorships, Readerships and Lectureships	208.6	–	208.6	175.2
Scholarships and bursaries	60.8	–	60.8	56.9
Other	261.8	–	261.8	214.3
Examination Board restricted funds	16.6	–	16.6	15.0
General endowments	–	6.9	6.9	6.0
University total	547.8	6.9	554.7	467.4
Gates Cambridge Trust	149.7	–	149.7	130.3
Other subsidiary undertakings	9.3	–	9.3	10.0
Group total	706.8	6.9	713.7	607.7

*Restated*

**NOTES TO THE ACCOUNTS (continued)****23 Reserves***Group*

	General reserves £m	Revaluation reserve £m	2005 Total £m	2004 Total £m
Balance 1 August				
As previously stated	461.4	206.3	667.7	685.7
Prior year adjustment (see note 11)	81.0	–	81.0	76.4
	<hr/>	<hr/>	<hr/>	<hr/>
Restated opening balance	542.4	206.3	748.7	762.1
Deficit retained for the year	(0.5)	–	(0.5)	(8.3)
Actuarial loss	(10.9)	–	(10.9)	(17.1)
Transfer in respect of depreciation on revalued operational properties	7.3	(7.3)	–	–
Increase in market value of investments	47.9	–	47.9	12.0
	<hr/>	<hr/>	<hr/>	<hr/>
Balance 31 July	586.2	199.0	785.2	748.7
	<hr/>	<hr/>	<hr/>	<hr/>
Reserves are reduced by the net pension liability in respect of defined benefit pension schemes - see note 20				
Reserves before net pension liability	671.2	199.0	870.2	821.5
Effect of net pension liability	(85.0)	–	(85.0)	(72.8)
	<hr/>	<hr/>	<hr/>	<hr/>
Reserves balance at 31 July	586.2	199.0	785.2	748.7
	<hr/>	<hr/>	<hr/>	<hr/>

*University*

	General reserves £m	Revaluation reserve £m	2005 Total £m	2004 Total £m
Balance 1 August	517.4	206.3	723.7	726.9
Deficit retained for the year	(4.1)	–	(4.1)	(12.7)
Transfer in respect of depreciation on revalued operational properties	7.3	(7.3)	–	–
Increase in market value of investments	33.1	–	33.1	9.5
	<hr/>	<hr/>	<hr/>	<hr/>
Balance 31 July	553.7	199.0	752.7	723.7
	<hr/>	<hr/>	<hr/>	<hr/>

**24 Reconciliation of consolidated operating surplus / (deficit) to net cash  
outflow from operating activities**

	2005 £m	2004 £m
Surplus / (deficit) on continuing operations	1.8	(8.1)
Depreciation of fixed tangible assets	38.6	36.8
Amortisation of goodwill	0.6	0.6
Deferred capital grants released to income	(20.3)	(16.9)
(Surplus) / deficit on disposal of tangible fixed assets	–	(2.8)
Investment income	(40.9)	(36.8)
Pension cost less contributions payable (see note 20)	1.0	(0.2)
	<hr/>	<hr/>
Decrease in stock	(19.2)	(27.4)
(Decrease) / increase in debtors	0.1	0.2
Increase / (decrease) in creditors	(22.9)	24.3
	<hr/>	<hr/>
Net cash outflow from operating activities	1.4	(1.1)
	<hr/>	<hr/>
	(40.6)	(4.0)
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS (continued)**

<b>25 Capital expenditure and financial investment</b>	<b>2005</b>	2004
	<b>£m</b>	£m
Purchase of tangible fixed assets	<b>(107.2)</b>	<i>Restated</i> (106.9)
Donations for buildings and other deferred capital grants received	<b>79.5</b>	78.3
Proceeds of disposal of tangible fixed assets	–	3.8
Net sale / (purchase) of long-term investments (excluding investments held on behalf of others)	<b>20.7</b>	(36.3)
New endowments received	<b>12.3</b>	29.9
	<hr/>	<hr/>
Net cash inflow / (outflow) from capital expenditure and financial investment	<b>5.3</b>	(31.2)
	<hr/>	<hr/>

**26 Analysis of the balances of cash and bank overdraft**

	<b>Group</b>	Group	<b>University</b>	University
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>£m</b>	£m	<b>£m</b>	£m
		<i>Restated</i>		<i>Restated</i>
Bank overdraft	<b>(3.7)</b>	(7.7)	<b>(3.7)</b>	(7.6)
Bank balances held directly by trust funds	<b>1.1</b>	5.2	<b>0.1</b>	4.2
Cash at bank and in hand	<b>6.1</b>	5.4	<b>0.8</b>	1.4
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>3.5</b>	2.9	<b>(2.8)</b>	(1.4)
Add short term deposits:				
Endowment asset investments	<b>11.1</b>	14.1	–	2.3
Current asset investments (excluding those held on behalf of related parties and other associated bodies)	<b>37.6</b>	29.3	<b>37.7</b>	30.0
	<hr/>	<hr/>	<hr/>	<hr/>
Net funds	<b>52.2</b>	46.3	<b>34.9</b>	30.9
	<hr/>	<hr/>	<hr/>	<hr/>

The bank overdraft includes cheques totalling £7.9m (2004: £9.6m) which have been drawn but not presented against the University's bank account as at 31 July. The management of cash resources provides for a transfer of funds from short term deposits to meet cheques as and when they are presented.

<b>27 Capital commitments</b>	<b>2005</b>	2004
	<b>£m</b>	£m
Commitments contracted at 31 July	<b>58.6</b>	<i>Restated</i> 80.1
Authorised but not contracted at 31 July	–	–
	<hr/>	<hr/>

Of the capital expenditure committed at 31 July 2005, approximately 75% (2004: 80%) will be funded by specific grants and donations.

## NOTES TO THE ACCOUNTS (continued)

### 28 Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Cambridge University Assistants' Contributory Pension Scheme (CPS). Employees covered by the schemes are contracted out of the State Second Pension. The assets of the schemes are held in separate trustee-administered funds. The USS and the CPS are not closed, nor is the age profile of their active membership rising significantly.

The schemes are defined benefit schemes which are valued every three years using the projected unit method, by professionally qualified actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

#### USS

It is not possible to identify each institution's share of underlying assets and liabilities of the scheme, and therefore contributions are accounted for as if it were a defined contribution scheme in accordance with FRS 17. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	<b>March 2002</b>
Investment returns per annum	<b>5.00%</b>
Salary scale increases per annum	<b>3.70%</b>
Pension increases per annum	<b>2.70%</b>
Market value of assets at date of last valuation	<b>£19,938m</b>
Proportion of members' accrued benefits covered by the actuarial value of the assets	<b>101%</b>

The USS has advised participating institutions that an actuarial valuation of the scheme has been carried out as at 31 March 2005. A preliminary summary of the main results has been made available, pending publication of the actuary's report in early 2006. As at 31 March 2005 the assets of the scheme were 77% of the accrued liabilities, based on projected pensionable salaries with a past service deficit of £6.568 billion. The USS has advised institutions that the contribution rate will be maintained at current levels and will be subject to review at the next actuarial valuation, which is due to take place at 31 March 2008.

#### CPS

The CPS was established under the authority of the Universities of Oxford and Cambridge Act 1923. It has been approved by the Inland Revenue Savings, Pensions, Share Schemes under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988. The active members of the scheme are employees of the University and its subsidiary undertakings.

#### Triennial valuation of the scheme

A full triennial valuation of the scheme was carried out by the actuary for the trustees of the scheme for funding purposes as at 31 July 2003. The results showed the actuarial value of the scheme's assets as £215,913,000. These were insufficient to cover the scheme's past service liabilities of £233,518,000 and as a result the scheme had a deficit of £17,605,000 and was 92% funded. Based on the advice of the actuary, the University and its subsidiary undertakings made additional lump sum contributions totalling £12,078,000 to the scheme during the year ended 31 July 2004. The joint contribution rate was increased to 22.5% of pensionable pay from 1 August 2004, at which it is expected to be maintained.

#### Pension costs under FRS 17

As explained in the principal accounting policies, the University has adopted FRS 17. For accounting purposes the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the gross redemption yield for corporate AA rated bonds. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the joint contribution rate set by the trustees of the scheme. A full actuarial valuation for this purpose was carried out as at 31 July 2003 and has been updated to 31 July 2004 and 2005 by a qualified actuary. The principal assumptions used by the actuary were:

	<b>2005</b>	2004	2003
Discount rate	<b>5.00%</b>	5.75%	5.70%
Inflation assumption	<b>2.80%</b>	3.00%	2.50%
Rate of increase in salaries	<b>3.60%</b>	3.75%	3.50%
Rate of increase in pensions in deferment	<b>2.80%</b>	3.00%	2.50%
Rate of increase in pensions in payment	<b>2.80%</b>	3.00%	2.50%

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

	31 July 2005		31 July 2004		31 July 2003	
	Expected long term rate of return	Value £m	Expected long term rate of return	Value £m	Expected long term rate of return	Value £m
Equities	7.50%	192.1	8.00%	164.1	8.00%	156.5
Bonds (including cash)	4.70%	27.1	5.00%	31.4	4.70%	23.7
Property	6.50%	29.8	7.00%	13.3	7.00%	11.8
		<b>249.0</b>		208.8		192.0

**NOTES TO THE ACCOUNTS (continued)****28 Pension schemes (continued)****CPS (continued)**

The following results were measured in accordance with the requirements of FRS 17 and based on the assumptions summarised above:

	<b>2005</b>	2004	2003
	<b>£m</b>	£m	£m
<b>Assets and liabilities at the balance sheet date</b>			
Total market value of scheme assets as above	<b>249.0</b>	208.8	192.0
Present value of scheme liabilities	<b>(331.8)</b>	(279.4)	(245.9)
Net pension liability	<b>(82.8)</b>	(70.6)	(53.9)

The movement for the year in the net pension liability is reflected in note 20.

	<b>2005</b>	2004	2003
	<b>£m</b>	£m	£m
<b>Analysis of the amount included in staff costs for the year</b>			
Current service cost	<b>11.1</b>	12.7	
Life assurance premium	–	–	
Past service cost	–	–	
Total operating charge	<b>11.1</b>	12.7	

**Analysis of the amount credited to endowment and investment income for the year**

Expected return on pension scheme assets	<b>15.7</b>	14.6	
Interest on pension scheme liabilities	<b>(16.0)</b>	(13.9)	
Net return	<b>(0.3)</b>	0.7	

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

Actual return less expected return on pension scheme assets	<b>22.2</b>	(1.2)	(5.0)
Experience gains and losses arising on the scheme liabilities	<b>0.2</b>	(0.8)	(1.7)
Changes in assumptions underlying the present value of the scheme liabilities	<b>(33.1)</b>	(15.4)	(4.3)
Actuarial loss recognised in the STRGL	<b>(10.7)</b>	(17.4)	(11.0)

These amounts are:

As a percentage of scheme assets at the balance sheet date:

Actual return less expected return on pension scheme assets	<b>8.9%</b>	(0.6%)	(2.6%)
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As a percentage of the present value of the scheme liabilities at the balance sheet date:

Experience gains and losses arising on the scheme liabilities	<b>0.1%</b>	(0.3%)	(0.7%)
Actuarial loss recognised in the STRGL	<b>(3.2%)</b>	(6.2%)	(4.5%)

The above results have been recognised in the consolidated balance sheet. The University is, however, unable to identify its own share of the underlying assets and liabilities in the scheme, as distinct from that attributable to subsidiary undertakings, on a reasonable and consistent basis. For the University itself, therefore, pension costs are accounted for as if CPS were a defined contribution scheme, and the University's own balance sheet does not include a pension liability.

The University also has a smaller number of staff in other pension schemes, including the National Health Service Pension Scheme (NHSPS) and the RSA Examinations Board scheme (RSAEBS). Pension costs relating to RSAEBS are accounted for in accordance with FRS 17 as applied to a defined benefit scheme and the related pension liability is included in the consolidated balance sheet (see note 20). Further disclosures are not given as the balances and movements are not material.

The total pension cost for the year (see note 7) was:	<b>2005</b>	2004
	<b>£m</b>	£m
USS: contributions	<b>23.5</b>	22.4
CPS: charged to income and expenditure account	<b>11.1</b>	12.7
NHSPS: contributions	<b>1.3</b>	0.8
RSAEBS: charged to income and expenditure account	<b>0.2</b>	0.2
Contributions to other pension schemes	<b>0.1</b>	0.2
	<b>36.2</b>	36.3

## NOTES TO THE ACCOUNTS (continued)

### 29 Principal subsidiary and associated undertakings and other significant investments

The following undertakings were wholly-owned subsidiary undertakings throughout the year ended 31 July 2005. Except where stated, the accounting reference date is 31 July and the undertaking is a company registered in England and Wales.

Name	Notes	Principal activity
Cambridge Manufacturing Industry Links Limited		Consultancy and commercial exploitation of intellectual property
Cambridge University Environmental Projects Limited		Environmental projects
Cambridge University Technical Services Limited		Consultancy and commercial exploitation of intellectual property
Challenge Fund Trading Company Limited		Providing funds to promote the transfer of research to business
Fitzwilliam Museum Enterprises Limited	a	Publication of fine art books and sale of museum merchandise
Lynxvale Limited		Provision of construction and development services
The Cambridge Foundation	b	Fund raising
The University of Cambridge Challenge Fund Limited		Providing funds to promote the transfer of research to business
<b>Associated Trusts</b>	b	Provision of scholarships, grants and other support for the education of overseas students in the University
Cambridge Overseas Trust	}	
Cambridge Commonwealth Trust		
Gates Cambridge Trust		
Cambridge European Trust		
Malaysian Commonwealth Studies Centre in Cambridge		
<b>Cambridge Assessment subsidiary undertakings</b>	c	
Cambridge Examinations Inc	d	Examination services
Mill Wharf Limited		Training and Consultancy
Oxford and Cambridge International Assessment Services Limited		Assessment services
Oxford Cambridge and RSA Examinations		Examination and assessment services
RSA Examinations Board		Assessment services
Sandonian Properties Limited		Property Holding
The West Midlands Examinations Board		Examination services

- a Fitzwilliam Museum Enterprises Limited has an accounting reference date of 31 January for commercial reasons. The effect of this is not material to the consolidated accounts.
- b The Cambridge Foundation and the Associated Trusts are exempt charities established by trust deeds.
- c Cambridge Assessment subsidiary undertakings have an accounting reference date of 30 September for commercial reasons.  
For these undertakings the consolidation is based on interim financial statements to 31 July 2005.
- d Cambridge Examinations Inc is a United States non-stock non-profit corporation.

The University has interests in a number of spin-out companies formed to exploit intellectual property rights or inventions. These are included at valuation in fixed asset investments (see note 14) and endowment asset investments (note 15). In some cases the University's interest amounts to 20% or more of the share capital, and these companies are listed below. As the University does not exercise a significant influence over these investments and they are not intended to be held for the long-term, they are not accounted for as associated undertakings. Other undertakings where the University's investment amounts to 20% or more are also listed below. These are not accounted for as associated undertakings as the effect on the financial statements would not be material.

## NOTES TO THE ACCOUNTS (continued)

### 29 Principal subsidiary and associated undertakings and other significant investments (continued)

Name	% interest	Principal Activity
Ampika Limited	27	Commercial exploitation of intellectual property
Bluegnome Limited	22	Commercial exploitation of intellectual property
Cambridge Flow Solutions Limited	20	Commercial exploitation of intellectual property
Cambridge in America	22	Fund raising
Cambridge Lab-on-Chip Limited	32	Commercial exploitation of intellectual property
Camfridge Limited	33	Commercial exploitation of intellectual property
Coolanalgesia Limited	20	Commercial exploitation of intellectual property
Genapta Limited	31	Commercial exploitation of intellectual property
Markready Limited	22	Research and development
Metalysis Limited	33	Commercial exploitation of intellectual property
Microbial Technics Limited	23	Commercial exploitation of intellectual property
Smart Holograms Limited	33	Commercial exploitation of intellectual property
The CRISP Consortium Limited	45	Commercial exploitation of intellectual property
Vivamer Limited	58	Commercial exploitation of intellectual property

In addition, the University is one of two equal members of Cambridge-MIT Institute Limited (CMI), a joint venture company limited by guarantee whose principal activity is the support of research and educational programmes. At 31 July 2005 and 2004 CMI had nil net assets. In the year ended 31 July 2005 it funded expenditure of £17.05m (2003/04: £17.2m) and its profit after tax was nil (2003/04: nil) During the year CMI reimbursed the University £9.5m (2003/04: £8.1m) for expenditure incurred on projects. As at 31 July 2005 the University was owed £1.74m (2004: £1.5m) by CMI.

### 30 Related party transactions

In accordance with FRS 8 the University is not required to disclose the transactions and balances between its group undertakings, which have been eliminated on consolidation.

The Cambridge University Press Syndicate (CUP) is a body established and regulated by University Statute. During the year ended 31 July 2004, CUP transferred a total of £11.4m to the University, which was included in:

	2005 £m	2004 £m
Other income	–	0.3
Permanent endowments received	–	7.5
Deferred capital grants	–	3.6
	–	11.4

During the year the University purchased printing services from CUP in connection with its examination and assessment services totalling £8.7m (2003/04 £8.9m). This is included in other operating expenses.

### 31 Colleges

There are 30 Colleges and one Approved Society (the Colleges) each of which is an independent corporation with its own property and income. The individual audited accounts of the Colleges, in a form specified by the University, are published in the *Cambridge University Reporter*.

During the year payments were made by the University from HEFCE funding in respect of the College fees of publicly-funded undergraduates of £30.1m (2003/04: £30.1m). These payments are included as “Payments to Colleges” in note 8 above. The University also made payments in respect of the College fees of postgraduate students totalling £2.2m (2003/04 £1.8m). These payments are included in other operating expenses.

The Cambridge Foundation distributed third party donations to the Colleges totalling £2.8m (2003/04: £5.8m). The payments are not included in the consolidated income and expenditure account.

During the year the University provided services to the Colleges including in respect of telephone and data networks for which the Colleges paid a total of £2.2m (2003/04 £1.9m), and the Colleges provided accommodation, catering and other services to the University for which the University paid a total of £5.6m (2003/04 £5.7m).

Colleges fund	2005 £000	2004 £000
Balance at 1 August	30	34
Contributions received from Colleges	2,618	2,725
Interest earned	30	21
Payments to Colleges	(2,620)	(2,750)
Balance at 31 July included in creditors	58	30

The Colleges Fund is administered by the University on behalf of the Colleges, who make all contributions to and receive all allocations from the Fund. The transactions on the Colleges Fund are not included in the income and expenditure account.

**NOTES TO THE ACCOUNTS (continued)**

<b>32 HEFCE Access funds</b>	<b>2005</b>	2004
	<b>£000</b>	£000
Funding Council grants	<b>575</b>	577
Interest earned	<b>9</b>	4
	<hr/>	<hr/>
Disbursed to students	<b>584</b>	581
	<b>(584)</b>	(581)
	<hr/>	<hr/>
Balance unspent at 31 July	–	–
	<hr/>	<hr/>

Funding Council grants are available for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

<b>33 TTA Minority Ethnic Recruitment grants</b>	<b>2005</b>	2004
	<b>£000</b>	£000
TTA grants	<b>16</b>	24
Disbursed to students	<b>(16)</b>	(24)
	<hr/>	<hr/>
Balance unspent at 31 July	–	–
	<hr/>	<hr/>