

NOTES TO THE ACCOUNTS

	2006 £m	2005 £m
1 Funding Council and Training and Development Agency grants		
Higher Education Funding Council for England (HEFCE)		
Recurrent grant	147.3	142.2
Specific grants	20.3	10.9
Deferred capital grant released in year (note 23)		
Equipment	4.5	4.1
Buildings	2.5	1.3
HEFCE total	174.6	158.5
Training and Development Agency for Schools		
Recurrent grant	3.5	3.8
	178.1	162.3
2 Academic fees and support grants		
Full-time home students	21.5	21.2
Full-time overseas students	28.9	25.7
Part-time course fees	7.8	8.2
Research Training Support Grants	0.8	0.9
	59.0	56.0
3 Income: research grants and contracts		
Research councils	89.7	78.0
UK based charities	60.1	57.3
Other bodies	54.1	53.4
	203.9	188.7
4 Examination and assessment services		
Examination fees	155.4	146.4
Other examination and assessment services	14.1	14.7
	169.5	161.1
5 Publishing and printing services		<i>Restated</i>
Publishing services	132.9	119.1
Printing services	8.9	6.4
	141.8	125.5
6 Other income		<i>Restated</i>
Other services rendered	24.4	22.0
Health and hospital authorities	10.8	12.2
Catering	3.8	3.5
AHRB museum grant	1.5	1.5
University companies	9.9	8.0
Released from deferred capital grants (note 23)	6.4	6.2
General donations	10.9	8.8
Specific donations released in the year	12.4	14.5
Rental income	7.0	6.2
Sundry income	3.8	2.9
	90.9	85.8

NOTES TO THE ACCOUNTS (continued)

	2006	2005
	£m	£m
7 Endowment and investment income		<i>Restated</i>
Income from specific endowment asset investments	26.0	23.9
Income from general endowment asset investments	0.3	0.3
Other income credited to specific endowments	0.5	1.7
Other investment income	20.7	14.6
	47.5	40.5

	2006	2005
	£m	£m
8 Staff costs		<i>Restated</i>
Wages and salaries	329.8	311.4
Social security costs	29.4	27.7
Pension costs (note 30)	48.4	42.9
	407.6	382.0

	2006	2005
	£000	£000
Emoluments of the Vice-Chancellor		
Emoluments excluding employer's pension contributions	196	190
Employer's pension contributions	–	–
	196	190

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

The numbers in each band have been analysed by segment (see note 11)

	Education and research		Assessment and Press	2006 Total	2005 Total
	Clinical	Non-Clinical			<i>Restated</i>
£70,000–£80,000	36	41	16	93	69
£80,001–£90,000	32	32	7	71	44
£90,001–£100,000	22	16	6	44	20
£100,001–£110,000	7	5	6	18	20
£110,001–£120,000	9	3	5	17	14
£120,001–£130,000	6	1	1	8	12
£130,001–£140,000	9	1	1	11	8
£140,001–£150,000	7	1	1	9	6
£150,001–£160,000	1	2	1	4	4
£160,001–£170,000	5	–	–	5	7
£170,001–£180,000	5	–	–	5	7
£180,001–£190,000	1	1	1	3	2
£190,001–£200,000	2	–	–	2	2
£200,001–£210,000	1	–	–	1	1
£210,001–£220,000	–	–	–	–	–
£220,001–£230,000	–	–	1	1	1
£230,001–£240,000	–	–	–	–	–
£240,001–£250,000	–	–	1	1	–

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

NOTES TO THE ACCOUNTS (continued)

9 Analysis of expenditure by activity	Other Staff costs	operating expenses	Depreciation	Interest payable	2006 Total	2005 Restated
	£m	£m	£m	£m	£m	£m
Academic departments	140.3	25.4	7.8	–	173.5	167.2
Academic services	19.6	9.6	0.7	–	29.9	26.1
Payments to colleges (see note 33)	–	34.1	–	–	34.1	30.1
Research grants and contracts	90.6	74.1	8.3	–	173.0	162.4
Other activities:						
Examinations and assessment services	51.8	107.4	2.4	–	161.6	153.4
Publishing and printing services	49.8	87.2	1.8	0.4	139.2	125.5
Other services rendered	9.8	12.9	0.3	–	23.0	22.1
University companies	1.5	5.7	–	–	7.2	6.1
Catering	2.0	4.4	0.1	–	6.5	6.0
Other activities total	114.9	217.6	4.6	0.4	337.5	313.1
Administration and central services:						
Administration	21.3	7.9	1.5	–	30.7	26.8
General educational	2.6	23.5	–	–	26.1	24.4
Staff and student facilities	2.4	0.6	–	–	3.0	3.1
Development office	2.0	2.9	–	–	4.9	4.1
Other	2.8	1.1	–	–	3.9	2.3
Administration and central services total	31.1	36.0	1.5	–	68.6	60.7
Premises	11.1	33.9	20.8	–	65.8	63.0
Total per income and expenditure account	407.6	430.7	43.7	0.4	882.4	822.6

The depreciation charge has been funded by:	Deferred capital grants (note 23)	21.9
	Revaluation reserve (note 25)	6.0
	General income	15.8
		<u>43.7</u>

Auditors' remuneration	2006	2005
	£000	£000
		<i>Restated</i>
Other operating expenses include:		
Audit fees payable to the University's external auditors	223	188
Other fees payable to the University's external auditors	7	–
Audit fees payable to other firms	119	124
	<u>119</u>	<u>124</u>

These amounts include related irrecoverable VAT.

10 Surplus / (deficit) on continuing operations for the year	2006	2005
	£m	£m
		<i>Restated</i>
The surplus / (deficit) on continuing operations for the year is made up as follows:		
University's surplus for the year	17.2	3.9
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	2.8	2.4
	<u>2.8</u>	<u>2.4</u>
Surplus dealt with in the accounts of the University	20.0	6.3
Group level adjustments re defined benefit schemes	(0.7)	(1.1)
Deficit retained in subsidiary undertakings	(11.0)	(7.9)
	<u>8.3</u>	<u>(2.7)</u>

NOTES TO THE ACCOUNTS (continued)**11 Segmental reporting**

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

Education and research

Assessment Examination and assessment services, carried out by the University of Cambridge Local Examinations Syndicate and subsidiary undertakings, collectively known as Cambridge Assessment.

Press Publishing and printing services, carried out by the Cambridge University Press Syndicate and subsidiary undertakings.

Income, result for the year and net assets at the year end are attributable to the three segments as follows:

	Segment total income £m	Inter- segment income £m	Income from third parties £m	Surplus / (deficit) £m	Net assets £m
Year ended 31 July 2006					
Education and research	575.3	3.6	571.7	10.8	2,023.0
Assessment	173.2	–	173.2	1.4	156.2
Press	154.9	10.2	144.7	5.0	89.6
	903.4	13.8	889.6	17.2	2,268.8
Unallocated re Contributory Pension Scheme			1.1	(1.7)	(97.8)
Group			890.7	15.5	2,171.0
Year ended 31 July 2005					
Education and research	538.3	19.0	519.3	16.0	1,858.5
Assessment	165.4	–	165.4	(12.1)	147.9
Press	145.0	9.6	135.4	5.0	79.9
	848.7	28.6	820.1	8.9	2,086.3
Unallocated re Contributory Pension Scheme			(0.2)	(1.5)	(82.8)
Group			819.9	7.4	2,003.5

12 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 Cambridge University Press (CUP) a constituent part of the University, and of subsidiary undertakings forming part of the operational group headed by CUP. 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.

	2006	2005
	£m	£m
Surplus for the year under previous basis of preparation and accounting policies	9.8	1.8
Change in basis of preparation: Inclusion of CUP	5.0	4.9
Surplus for the year as restated	14.8	6.7

The effect of these changes on opening net assets at 1 August 2005 is as follows:

	Group
	£m
Reduction in deferred capital grants	(14.3)
Reduction in endowments	(8.6)
Increase in reserves	103.5
Less minority interest	(0.6)
Overall effect of change in basis of preparation	80.0
Opening net assets at 1 August 2005 as previously reported	1,923.5
Opening net assets at 1 August 2005 as restated	2,003.5

In addition an adjustment has been made to correct an error in the calculation in 1996 of the balance on the operational property revaluation reserve resulting from the 1994 valuation. This has no impact on total reserves or on the result for the year.

NOTES TO THE ACCOUNTS (continued)

13 Tangible fixed assets	Land and buildings	Assets in construction	Equipment	Heritage assets	2006 Total	2005 Restated
<i>Group</i>	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 1 August: As previously stated	788.9	107.5	160.3	14.3	1,071.0	967.7
Prior year adjustment re CUP (note 12)	40.3	–	18.6	–	58.9	67.2
Restated opening balance	829.2	107.5	178.9	14.3	1,129.9	1,034.9
Additions at cost	4.7	64.3	22.3	3.2	94.5	105.3
Transfers	44.3	(44.3)	–	–	–	–
Disposals	(6.4)	–	(8.9)	–	(15.3)	(9.1)
Currency adjustments	0.7	–	0.2	–	0.9	(1.2)
At 31 July	872.5	127.5	192.5	17.5	1,210.0	1,129.9
Depreciation						
At 1 August: As previously stated	109.1	–	115.6	–	224.7	186.6
Prior year adjustment re CUP (note 12)	3.9	–	15.0	–	18.9	17.8
Restated opening balance	113.0	–	130.6	–	243.6	204.4
Charge for the year	21.2	–	22.5	–	43.7	40.7
Elimination on disposals	(0.6)	–	(7.7)	–	(8.3)	(1.2)
Currency adjustments	0.1	–	0.1	–	0.2	(0.3)
At 31 July	133.7	–	145.5	–	279.2	243.6
Net book value						
At 31 July	738.8	127.5	47.0	17.5	930.8	886.3
At 1 August (restated)	716.2	107.5	48.3	14.3	886.3	830.5
University						
Cost or valuation						
At 1 August: As previously stated	779.9	107.7	156.3	14.3	1,058.2	955.7
Prior year adjustment re CUP (note 12)	40.2	–	18.5	–	58.7	67.0
Restated opening balance	820.1	107.7	174.8	14.3	1,116.9	1,022.7
Additions at cost	4.5	64.3	22.3	3.2	94.3	104.5
Transfers	44.3	(44.3)	–	–	–	–
Disposals	(6.4)	–	(8.9)	–	(15.3)	(9.1)
Currency adjustments	0.7	–	0.2	–	0.9	(1.2)
At 31 July	863.2	127.7	188.4	17.5	1,196.8	1,116.9
Depreciation						
At 1 August: As previously stated	104.3	–	112.2	–	216.5	178.8
Prior year adjustment re CUP (note 12)	3.9	–	14.9	–	18.8	17.8
Restated opening balance	108.2	–	127.1	–	235.3	196.6
Charge for the year	20.9	–	22.3	–	43.2	40.1
Elimination on disposals	(0.6)	–	(7.7)	–	(8.3)	(1.1)
Currency adjustments	0.1	–	0.1	–	0.2	(0.3)
At 31 July	128.6	–	141.8	–	270.4	235.3
Net book value						
At 31 July	734.6	127.7	46.6	17.5	926.4	881.6
At 1 August	711.9	107.7	47.7	14.3	881.6	826.1

Land and buildings includes land totalling £78.8m (2005: £78.6m) 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.

NOTES TO THE ACCOUNTS (continued)

14 Intangible fixed assets: goodwill and others	Group 2006 £m	Group 2005 £m	University 2006 £m	University 2005 £m
Opening balance: as previously stated	1.5	2.1	–	–
Prior year adjustment re CUP (note 12)	2.8	3.4	1.1	1.6
Restated opening balance	4.3	5.5	1.1	1.6
Additions / (disposals) in the year	6.0	0.6	6.1	0.3
Amortisation charge for the year	(2.4)	(1.9)	(0.5)	(0.9)
Currency adjustments	0.1	0.1	0.1	0.1
Closing balance	8.0	4.3	6.8	1.1
15 Fixed asset investments				
Opening balance as previously stated	292.6	264.1	223.0	209.3
Prior year adjustment re CUP (note 12)	27.6	23.0	29.6	25.0
Restated opening balance	320.2	287.1	252.6	234.3
Additions / (disposals) in the year	(31.9)	(14.5)	(30.6)	(14.5)
Increase in market value of investments	32.6	47.6	20.9	32.8
Closing balance	320.9	320.2	242.9	252.6
Represented by:				
Property	56.0	61.0	47.2	53.2
Securities	247.4	242.4	160.7	171.4
Money market investments	9.8	8.0	7.4	6.3
Investments in subsidiary undertakings	–	–	24.3	17.2
Investment in spin-out companies (see note 31)	6.6	8.2	2.4	3.1
Cash in hand and at investment managers	0.8	0.3	0.7	0.2
Investments in joint ventures	0.1	0.1	–	–
Other	0.2	0.2	0.2	1.2
	320.9	320.2	242.9	252.6
16 Endowment asset investments				
Long-term Investments				
Property	100.1	88.1	83.1	72.3
Securities	611.1	540.9	468.7	405.8
Money market investments	71.2	67.2	70.9	64.9
Loan to subsidiary undertaking	–	–	2.4	2.4
Cash in hand and at investment managers	1.7	2.9	0.8	0.6
Investment in spin-out companies (see note 31)	2.2	2.4	–	–
Short-term deposits	15.9	2.5	2.8	–
Bank balances	1.9	1.1	1.2	0.1
	804.1	705.1	629.9	546.1
17 Stocks and work in progress				
Goods for resale	30.1	28.2	29.0	28.8
Work in progress	7.1	7.0	5.3	5.0
Other stocks	1.3	0.9	0.9	0.5
	38.5	36.1	35.2	34.3

Included in the Group's endowment asset investments is £164.7m (2005: £149.7m) 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.

NOTES TO THE ACCOUNTS (continued)

	Group 2006 £m	Group 2005 £m <i>Restated</i>	University 2006 £m	University 2005 £m <i>Restated</i>
18 Debtors				
Research grants recoverable	59.2	57.2	59.2	57.2
Amounts due from subsidiary undertakings	–	–	4.5	4.3
Debtors re examination and assessment services	41.5	35.4	33.5	24.3
Debtors re publishing and printing	44.8	29.1	46.9	31.9
Other debtors	29.9	41.2	24.0	35.4
	175.4	162.9	168.1	153.1
19 Current asset investments				
Property	7.3	5.2	26.6	15.3
Securities	37.6	29.2	142.6	83.5
Money market investments	189.1	132.2	193.4	136.3
Short-term deposits	34.3	46.2	38.6	37.7
	268.3	212.8	401.2	272.8
Representing:				
University	263.0	207.5	223.0	169.1
Held on behalf of subsidiary undertakings, related parties and other associated bodies (see note 20)	5.3	5.3	178.2	103.7
	268.3	212.8	401.2	272.8
Current asset investments include investments held on behalf of subsidiary undertakings, related parties (see note 32) and other associated bodies. The book value of these investments is included in creditors due within one year.				
20 Creditors: amounts falling due within one year				
Bank overdraft	5.1	11.1	5.1	11.1
Research grants received in advance	68.1	53.4	68.1	53.4
Amounts due to subsidiary undertakings	–	–	0.8	–
Creditors re examination and assessment services	43.6	38.0	25.5	22.7
Creditors re publishing and printing	48.9	38.1	48.2	38.0
Other creditors	101.5	83.0	91.7	72.7
Investments held on behalf of subsidiary undertakings, related parties and other associated bodies (see note 19)	5.3	5.3	178.2	103.7
	272.5	228.9	417.6	301.6
21 Creditors: amounts falling due after more than one year				
Amounts due to subsidiary undertakings	–	–	10.6	10.6
Bank loans	0.5	1.5	0.5	1.5
Loan from minority interest	2.7	2.6	–	0.9
	3.2	4.1	11.1	13.0
22 Pension liability				
The pension liability has been measured in accordance with the requirements of FRS 17 and relates to the defined benefit schemes disclosed in note 30.	Group 2006 £m	Group 2005 £m	University 2006 £m	University 2005 £m
Opening balance				
As previously stated	85.0	72.8	–	–
Prior year adjustment re CUP	30.0	35.5	30.0	35.5
Restated opening balance	115.0	108.3	30.0	35.5
Movement in year:				
Current service cost including life assurance	21.1	17.0	6.2	5.7
Contributions	(19.5)	(17.4)	(7.2)	(7.1)
Other finance (income) / cost	(0.9)	1.5	0.1	1.2
Currency adjustments	–	(0.1)	0.1	(0.1)
Actuarial loss/(gain) recognised in statement of total recognised gains and losses	11.3	5.7	(2.2)	(5.2)
Closing balance	127.0	115.0	27.0	30.0

NOTES TO THE ACCOUNTS (continued)**23 Deferred capital grants**

<i>Group and University</i>	Funding Council £m	Research Grants £m	Other Grants £m	2006 Total £m	2005 £m
Balance 1 August					
Buildings	93.8	–	288.5	382.3	317.6
Equipment	9.9	15.2	3.0	28.1	26.8
Heritage assets	–	–	14.2	14.2	10.7
	103.7	15.2	305.7	424.6	355.1
Prior year adjustment re CUP (note 12)	–	–	(14.3)	(14.3)	(14.6)
Grants received					
Buildings	29.7	–	2.0	31.7	71.3
Equipment	5.2	8.9	0.5	14.6	15.0
Heritage assets	–	–	3.2	3.2	3.5
	34.9	8.9	5.7	49.5	89.8
Released to income and expenditure					
Buildings - for depreciation	(2.5)	–	(5.0)	(7.5)	(6.3)
Equipment - for depreciation	(4.5)	(8.5)	(1.4)	(14.4)	(13.7)
Equipment - on disposals	(0.8)	(0.2)	–	(1.0)	–
	(7.8)	(8.7)	(6.4)	(22.9)	(20.0)
Balance 31 July					
Buildings	121.0	–	271.2	392.2	368.0
Equipment	9.8	15.4	2.1	27.3	28.1
Heritage assets	–	–	17.4	17.4	14.2
	130.8	15.4	290.7	436.9	410.3

NOTES TO THE ACCOUNTS (continued)**24 Endowments**

<i>Group</i>	Specific £m	General £m	2006 Total £m	2005 Total £m
Balance 1 August				
As previously stated	706.8	6.9	713.7	607.7
Prior year adjustment re CUP (note 12)	(8.6)	–	(8.6)	(7.4)
Restated opening balance	698.2	6.9	705.1	600.3
Permanent endowments received	23.4	–	23.4	13.7
Income receivable from endowment asset investments	25.7	0.3	26.0	24.2
Donations and other income	0.2	–	0.2	1.7
Expenditure	(22.5)	(0.3)	(22.8)	(23.7)
Excess of income over expenditure retained in specific endowments	3.4	–	3.4	2.2
Increase in market value of investments	71.4	0.8	72.2	88.9
Balance 31 July	796.4	7.7	804.1	705.1
<i>University</i>				
Balance 1 August	547.8	6.9	554.7	467.4
Prior year adjustment re CUP (note 12)	(8.6)	–	(8.6)	(7.4)
Restated opening balance	539.2	6.9	546.1	460.0
Permanent endowments received	23.4	–	23.4	16.1
Income receivable from endowment asset investments	20.3	0.3	20.6	19.4
Donations and other income	0.2	–	0.2	1.5
Expenditure	(17.0)	(0.3)	(17.3)	(18.5)
Excess of income over expenditure retained in specific endowments	3.5	–	3.5	2.4
Increase in market value of investments	56.1	0.8	56.9	67.6
Balance 31 July	622.2	7.7	629.9	546.1
Representing:				
Trust and Special Funds:				<i>Restated</i>
Professorships, Readerships and Lectureships	251.1	–	251.1	208.6
Scholarships and bursaries	67.6	–	67.6	60.8
Other	282.4	–	282.4	253.2
Examination Board restricted funds	18.6	–	18.6	16.6
General endowments	–	7.7	7.7	6.9
University total	619.7	7.7	627.4	546.1
Gates Cambridge Trust	164.7	–	164.7	149.7
Other subsidiary undertakings	12.0	–	12.0	9.3
Group total	796.4	7.7	804.1	705.1

NOTES TO THE ACCOUNTS (continued)**25 Reserves**

<i>Group</i>	General reserves £m	Operational property revaluation reserve £m	2006 Total £m	2005 Total £m
Balance 1 August				
As previously stated	586.2	199.0	785.2	748.7
Prior year adjustment re CUP (note 12)	103.5	–	103.5	86.9
Prior year adjustment to revaluation reserve (see note 12)	29.6	(29.6)	–	–
Restated opening balance	719.3	169.4	888.7	835.6
Surplus retained for the year	12.1	–	12.1	5.2
Actuarial loss	(11.3)	–	(11.3)	(5.7)
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	–	–
Gain arising on foreign currency translation	0.5	–	0.5	0.2
Increase in market value of investments	40.9	–	40.9	53.4
Balance 31 July	767.5	163.4	930.9	888.7
Reserves are reduced by the net pension liability in respect of defined benefit pension schemes – see note 22				
Reserves before net pension liability	894.5	163.4	1,057.9	1,003.7
Effect of net pension liability	(127.0)	–	(127.0)	(115.0)
Reserves balance at 31 July	767.5	163.4	930.9	888.7

University

	General reserves £m	Operational property revaluation reserve £m	2006 Total £m	2005 Total £m
Balance 1 August				
As previously stated	553.7	199.0	752.7	723.7
Prior year adjustment re CUP (note 12)	106.1	–	106.1	87.3
Prior year adjustment to revaluation reserve (see note 12)	29.6	(29.6)	–	–
Restated opening balance	689.4	169.4	858.8	811.0
Surplus retained for the year	16.5	–	16.5	3.9
Actuarial gain	2.2	–	2.2	5.2
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	–	–
Gain arising on foreign currency translation	0.5	–	0.5	0.2
Increase in market value of investments	29.1	–	29.1	38.5
Balance 31 July	743.7	163.4	907.1	858.8

26 Reconciliation of consolidated operating surplus/(deficit) to net cash inflow/(outflow) from operating activities	2006 £m	2005 £m
Surplus / (deficit) on continuing operations before gain on disposal of tangible fixed assets	8.3	(2.7)
Depreciation of fixed tangible assets	43.7	40.7
Amortisation of goodwill	2.4	1.9
Deferred capital grants released to income	(21.9)	(20.0)
Investment income	(47.5)	(40.5)
Interest payable	0.4	0.8
Pension cost less contributions payable (see note 22)	1.6	(0.4)
Currency adjustments	(0.2)	0.8
	(13.2)	(19.4)
(Increase) / decrease in stock	(2.5)	0.5
(Increase) in debtors	(13.9)	(25.1)
Increase in creditors	36.2	7.0
Net cash inflow / (outflow) from operating activities	6.6	(37.0)

NOTES TO THE ACCOUNTS (continued)

27 Cash flows	2006	2005
	£m	£m
		<i>Restated</i>
Returns on investments and servicing of finance		
Endowment and investment income received	46.6	42.0
Interest paid	(0.4)	(0.8)
Net cash inflow from returns on investments and servicing of finance	46.2	41.2
 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(94.0)	108.8
Acquisition of goodwill and other fixed intangible assets	(6.0)	(0.6)
Donations for buildings and other deferred capital grants received	62.6	79.5
Proceeds of disposal of tangible fixed assets	12.5	17.4
Net (purchase)/sale of long-term investments (excluding investments held on behalf of others)	(40.0)	20.2
New endowments received	24.8	12.3
Net cash (outflow)/inflow from capital expenditure and financial investment	(40.1)	20.0
 Financing		
Issue of share capital to minority interest	0.5	–
New loan from minority interest	–	1.5
Repayment of long-term loan	(1.0)	(1.0)
Net cash (outflow)/inflow from financing	(0.5)	0.5

28 Analysis of the balances of cash and bank overdraft

	Group	Group	University	University
	2006	2005	2006	2005
	£m	£m	£m	£m
		<i>Restated</i>		<i>Restated</i>
Bank overdrafts	(5.1)	(11.1)	(5.1)	(11.1)
Bank balances held directly by trust funds	1.9	1.1	1.2	0.1
Cash at bank and in hand	27.7	23.8	19.1	18.2
	24.5	13.8	15.2	7.2
Add short term deposits:				
Endowment asset investments	15.9	2.5	2.8	–
Current asset investments (excluding those held on behalf of related parties and other associated bodies)	34.3	46.2	38.6	37.7
Net funds	74.7	62.5	56.6	44.9

29 Capital commitments

	2006	2005
	£m	£m
Commitments contracted at 31 July	49.2	58.6
Authorised but not contracted at 31 July	–	–

Of the capital expenditure committed at 31 July 2006, approximately 50% (2005: 75%) will be funded by specific grants and donations.

NOTES TO THE ACCOUNTS (continued)

30 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). Cambridge University Press operates two defined benefit schemes for its UK staff, the Press Contributory Pension Fund (PCPF) and the Press Senior Staff Pension Scheme (PSSPS). 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 PCPF and the PSSPS have been closed to new members.

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	March 2005
Investment returns per annum	4.5%
Salary scale increases per annum	3.9%
Pension increases per annum	2.9%
Market value of assets at date of last valuation	£21,740m
Proportion of members' accrued benefits covered by the actuarial value of the assets	77%

The contribution rate payable by the institution is 14% of pensionable salaries. The next actuarial valuation is due to take place at 31 March 2008. The scheme actuary has estimated that on the FRS 17 basis the funding level at 31 March 2005 was approximately 90% and that at 31 March 2006 it was over 100%.

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 and to 25.7% from 1 August 2005. The results of the full valuation as at 31 July 2006 are currently awaited.

Pension costs under 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. Full actuarial valuations for this purpose were carried out as at 31 July 2003 and 31 July 2006 by a qualified actuary. The actuary also updated the 2003 accounting valuation to 31 July 2004 and 31 July 2005 for the purposes of the University's financial statements. The principal assumptions used by the actuary were:

	2006	2005	2004
Discount rate	5.00%	5.75%	5.70%
Inflation assumption	2.80%	3.00%	2.50%
Rate of increase in salaries	3.60%	3.75%	3.50%
Rate of increase in pensions in deferment	2.80%	3.00%	2.50%
Rate of increase in pensions in payment	2.80%	3.00%	2.50%

NOTES TO THE ACCOUNTS (continued)**30 Pension schemes (continued) CPS (continued)**

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

	31 July 2006		31 July 2005		31 July 2004	
	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%	166.4	7.50%	192.1	8.00%	164.1
Bonds (including cash)	4.70%	68.7	4.70%	27.1	5.00%	31.4
Property	6.50%	41.7	6.50%	29.8	7.00%	13.3
		276.8		249.0		208.8

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

	2006 £m	2005 £m	2004 £m
Assets and liabilities at the balance sheet date			
Total market value of scheme assets as above	276.8	249.0	208.8
Present value of scheme liabilities	(374.6)	(331.8)	(279.4)
Net pension liability	(97.8)	(82.8)	(70.6)

The movement for the year in the net pension liability is reflected in note 22.

	2006 £000	2005 £000	2004 £000	2003 £000
Analysis of the amount included in staff costs for the year				
Current service cost	14.6	11.1	12.7	11.8
Life assurance premium	–	–	–	–
Past service cost	–	–	–	–
Total operating charge	14.6	11.1	12.7	11.8

	2006	2005	2004	2003
Analysis of the amount credited to endowment and investment income for the year				
Expected return on pension scheme assets	17.9	15.7	14.6	12.8
Interest on pension scheme liabilities	(16.8)	(16.0)	(13.9)	(12.8)
Net return	1.1	(0.3)	0.7	–

	2006	2005	2004	2003
Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)				
Actual return less expected return on pension scheme assets	5.8	22.2	(1.2)	(5.0)
Experience gains and losses arising on the scheme liabilities	(7.2)	0.2	(0.8)	(1.7)
Changes in assumptions underlying the present value of the scheme liabilities	(12.0)	(33.1)	(15.4)	(4.3)
Actuarial loss recognised in the STRGL	(13.4)	(10.7)	(17.4)	(11.0)

These amounts are:

As a percentage of scheme assets at the balance sheet date:	2006	2005	2004	2003
Actual return less expected return on pension scheme assets	2.1%	8.9%	(0.6%)	(2.6%)

As a percentage of the present value of the scheme liabilities at the balance sheet date:

	2006	2005	2004	2003
Experience gains and losses arising on the scheme liabilities	(1.9%)	0.1%	(0.3%)	0.7%
Actuarial loss recognised in the STRGL	(3.6%)	(3.2%)	(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 the CPS were a defined contribution scheme, and the University's own balance sheet does not include a pension liability in respect of the CPS.

NOTES TO THE ACCOUNTS (continued)**30 Pension schemes (continued)****Cambridge University Press UK defined benefit schemes (PCPF and PSSPS)****Triennial valuation of the schemes**

Full triennial valuations of the schemes were carried out by the actuary for the trustees of the schemes for funding purposes as at 1 July 2004.

Pension costs under FRS 17

For accounting purposes the schemes' assets are measured at market value and liabilities are valued using the attained age method and discounted using the gross redemption yield for corporate AA rated bonds. The valuations use market-based assumptions and asset valuations, and represent current valuations. They do not impact on the joint contribution rates set by the trustees of the schemes. Full actuarial valuations for this purpose were carried out as at 1 January 2004 by a qualified actuary. The actuary has also updated the 2004 accounting valuation to 31 July 2004, 31 July 2005 and 31 July 2006 for the purposes of the University's financial statements. The principal assumptions used by the actuary for both schemes were:

	2006	2005	2004
Discount rate	5.00%	5.25%	5.50%
Inflation assumption	2.50%	2.50%	2.50%
Rate of increase in salaries	3.00%	3.00%	3.50%
Rate of increase in pensions in deferment	3.00%	3.00%	3.00%
Rate of increase in pensions in payment	3.00%	3.00%	3.00%

Scheme assets

The fair value of the schemes' assets at 31 July, which are not intended to be realised in the short term and may be subject to significant change before they are realised, are as follows:

	PCPF			PSSPS		
	2006	2005	2004	2006	2005	2004
	£m	£m	£m	£m	£m	£m
Property	9.4	7.9	–	6.2	5.2	–
Equities	55.7	49.1	48.2	36.5	32.3	32.3
Bonds	24.6	22.3	16.6	16.1	14.6	11.1
Cash	–	–	0.6	0.6	0.2	0.4
	89.7	79.3	65.4	59.4	52.3	43.8

The overall expected long term rate of return on these assets was 6.25% at all three dates.

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

Assets and liabilities at the balance sheet date

	PCPF			PSSPS		
	2006	2005	2004	2006	2005	2004
	£m	£m	£m	£m	£m	£m
Total market value of scheme assets	89.7	79.3	65.4	59.4	52.3	43.8
Present value of scheme liabilities	96.7	89.0	79.3	78.2	70.8	63.3
Net pension liability	(7.0)	(9.7)	(13.9)	(18.8)	(18.5)	(19.5)

The movement for the year in the net pension liability is reflected in note 22.

NOTES TO THE ACCOUNTS (continued)**30 Pension schemes (continued)****PCPF and PSSPS (continued)**

	PCPF		PSSPS	
	2006 £m	2005 £m	2006 £m	2005 £m
Analysis of the amount included in staff costs for the year				
Current service cost	4.5	4.0	1.1	1.1
Life assurance premium	–	–	–	–
Past service cost	–	–	–	–
Total operating charge	4.5	4.0	1.1	1.1
Analysis of the amount credited to/(deducted from) endowment and investment income for the year				
Expected return on pension scheme assets	4.9	3.8	3.3	2.5
Interest on pension scheme liabilities	(4.7)	(4.1)	(3.7)	(3.3)
Net return	0.2	(0.3)	(0.4)	(0.8)
Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)				
Actual return less expected return on pension scheme assets	5.2	9.1	3.1	6.0
Experience gains and losses arising on the scheme liabilities	1.8	0.2	(2.2)	(2.2)
Changes in assumptions underlying the present value of the scheme liabilities	(3.5)	(4.0)	(2.8)	(4.0)
Actuarial gain / (loss) recognised in the STRGL	3.5	5.3	(1.9)	(0.2)
These amounts are:				
As a percentage of scheme assets at the balance sheet date:				
Actual return less expected return on pension scheme assets	5.8%	11.5%	5.2%	11.5%
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	1.9%	0.2%	(2.8%)	(3.1%)
Actuarial gain / (loss) recognised in the STRGL	3.6%	6.0%	(2.4%)	(0.3%)

The University also has a smaller number of staff in other pension schemes, including the National Health Service Pension Scheme (NHSPS), the Cambridge University Press Defined Benefit Plan (CUPDBP, for US staff) and the RSA Examinations Board scheme (RSAEBS). Pension costs relating to CUPDBP and 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 22). Further disclosures are not given as the balances and movements are not material.

	2006 £m	2005 £m
The total pension cost for the year (see note 8) was:		
USS: contributions	24.9	22.4
CPS: charged to income and expenditure account	14.6	12.7
PCPF: charged to income and expenditure account	4.5	4.0
PSSPS: charged to income and expenditure account	1.1	1.1
NHSPS: contributions	1.4	0.8
CUPDBP: charged to income and expenditure account	0.6	0.6
RSAEBS: charged to income and expenditure account	0.2	0.2
Contributions to other pension schemes	1.1	1.1
	48.4	42.9

NOTES TO THE ACCOUNTS (continued)**31 Principal subsidiary and associated undertakings and other significant investments**

The following undertakings were wholly-owned subsidiary undertakings throughout the year ended 31 July 2006. 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
Cory Enterprises Limited	a	Retail shop
Fitzwilliam Museum Enterprises Limited	b	Publication of fine art books and sale of museum merchandise
Lynxvale Limited		Provision of construction and development services
The Cambridge Foundation	c	Fund raising
Associated Trusts	c	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		
Cambridge Assessment subsidiary undertakings	d	
Cambridge Examinations Inc	e	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
Cambridge University Press subsidiary undertakings	f	
Cambridge Knowledge (China) Limited	g	Representative office
Cambridge University Press (Holdings) Limited		Holding company
Cambridge University Press India Private Limited	h	Publishing
Cambridge University Press Japan KK	i	Representative office
Cambridge-Hitachisoft Educational Solutions PLC	j	Electronic educational publishing
Greenwich Medical Media Limited		Medical publishing
Oncoweb Limited		Non-trading
Prescribing Professionals Network Limited		Non-trading

a Cory Enterprises Limited has an accounting reference date of 30 November for commercial reasons. The effect of this is not material to the consolidated accounts.

b 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.

c The Cambridge Foundation and the Associated Trusts are exempt charities established by trust deeds.

d 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 2006.

e Cambridge Examinations Inc is a United States non-stock non-profit corporation.

f Cambridge University Press subsidiary undertakings have an accounting reference date of 30 April for commercial reasons.

g Cambridge Knowledge (China) Limited is incorporated in Hong Kong

h Cambridge University Press India Private Limited is a 51% subsidiary incorporated in India and was acquired in the year ended 31 July 2006.

i Cambridge University Press Japan KK is incorporated in Japan

j The University holds 60% of the issued share capital in Cambridge-Hitachisoft Educational Solutions PLC.

NOTES TO THE ACCOUNTS (continued)

31 Principal subsidiary and associated undertakings and other significant investments (continued)

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 15) and endowment asset investments (note 16). 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.

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
Enecsys Limited	31	Commercial exploitation of intellectual property
Genapta Limited	22	Research and development
Markready Limited	33	Commercial exploitation of intellectual property
Metalysis Limited	23	Commercial exploitation of intellectual property
Microbial Technics Limited	33	Commercial exploitation of intellectual property
Psynova Limited	45	Commercial exploitation of intellectual property
Smart Holograms Limited	58	Commercial exploitation of intellectual property
The CRISP Consortium Limited	21	Commercial exploitation of intellectual property
Vivamer Limited	22	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 2006 and 2005 CMI had nil net assets. In the year ended 31 July 2006 it funded expenditure of £12.5m (2005: £17.1m) and its profit after tax was nil (2005: nil). During the year CMI reimbursed the University £6.7m (2005: £9.5m) for expenditure incurred on projects. As at 31 July 2006 the University was owed £1.5m (2005: £1.7m) by CMI.

32 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.

33 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 £34.1m (2005: £30.1m). These payments are included as "Payments to Colleges" in note 9 above. The University also made payments in respect of the College fees of postgraduate students totalling £2.2m (2005: £2.2m). These payments are included in other operating expenses.

The Cambridge Foundation distributed third party donations to the Colleges totalling £6.3m (2005: £2.8m). The payments are not included in the consolidated income and expenditure account.

During the year the University provided printing, network and other services to the Colleges for which the Colleges paid a total of £3.6m (2005: £3.0m), and the Colleges provided accommodation, catering and other services to the University for which the University paid a total of £4.7m (2005: £5.6m).

During the year the Colleges made donations to the University totalling £4.0m (2005: £2.0m) of which £2.0m (2005: £nil) was credited to specific endowments.

Colleges Fund	2006 £000	2005 £000
Balance at 1 August	58	30
Contributions received from Colleges	2,835	2,618
Interest earned	30	30
Payments to Colleges	(2,883)	(2,620)
Balance at 31 July included in creditors	40	58

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)

	2006	2005
	£000	£000
34 DfES / HEFCE Access funds		
Access to Learning Fund allocation	573	575
Interest earned	6	9
	<hr/>	<hr/>
Disbursed to students	579	584
	(579)	(584)
	<hr/>	<hr/>
Balance unspent at 31 July	–	–
	<hr/>	<hr/>

Access to Learning Fund grants are available for students: the University acts only as agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

	2006	2005
	£000	£000
35 TDA grants for Minority Ethnic Recruitment		
TDA grants	22	16
Disbursed to students	(22)	(16)
	<hr/>	<hr/>
Balance unspent at 31 July	–	–
	<hr/>	<hr/>

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Editorial

Notices for publication in the *Reporter* should be sent to the Editor, Cambridge University Reporter, Secretariat, The Old Schools, Cambridge, CB2 1TN (tel. 01223 332305, fax 01223 332332, e-mail reporter.editor@admin.cam.ac.uk). Copy should be sent as early as possible in the week before publication; short notices will be accepted up to **4 p.m. on Thursday** for publication the following Wednesday. Inclusion is subject to availability of space.

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