

**Section A: (i) Unaudited accounts in respect of academic activities**

The scope and basis of preparation differ from the University's financial statements for 2005–06 in that these unaudited accounts exclude the income and expenditure, assets and liabilities of Cambridge Assessment (the Local Examinations Syndicate and its subsidiary undertakings) and of Cambridge University Press, and also exclude from consolidation five associated Trusts. The unaudited accounts have been prepared following the same accounting policies as the audited financial statements for the year ended 31 July 2006.

In order to distinguish these accounts from the University's financial statements they are referred to as unaudited accounts in respect of academic activities.

**Unaudited consolidated income and expenditure account in respect of academic activities for the year ended 31 July 2006**

	<i>Note</i>	<b>Year ended 31 July 2006 £m</b>	Year ended 31 July 2005 £m
<b>Income</b>			
Funding Council grants	<i>i</i>	<b>178.1</b>	162.3
Academic fees and support grants	<i>ii</i>	<b>59.0</b>	56.0
Research grants and contracts	<i>iii</i>	<b>203.9</b>	188.7
Other income	<i>iv</i>	<b>90.3</b>	89.5
Endowment and investment income	<i>v</i>	<b>32.3</b>	29.0
<b>Total income</b>		<b>563.6</b>	525.5
<b>Expenditure</b>			
Staff costs	<i>vi, vii</i>	<b>300.8</b>	283.3
Other operating expenses	<i>vii</i>	<b>218.0</b>	204.3
Depreciation	<i>vii</i>	<b>37.8</b>	35.3
<b>Total expenditure</b>	<i>vii</i>	<b>556.6</b>	522.9
<b>Surplus on continuing operations before exceptional items</b>		<b>7.0</b>	2.6
<b>Exceptional items: gain on sale of tangible fixed assets</b>		<b>2.1</b>	–
<b>Surplus on continuing operations after exceptional items</b>	<i>viii</i>	<b>9.1</b>	2.6
<b>Transfer to accumulated income within specific endowments</b>	<i>xvi</i>	<b>(2.6)</b>	(2.3)
<b>Surplus for the year retained within general reserves</b>		<b>6.5</b>	0.3

**Unaudited statement of total recognised gains and losses in respect of academic activities for the year ended 31 July 2006**

	<i>Note</i>	<b>Year ended 31 July 2006 £m</b>	Year ended 31 July 2005 £m
Surplus on income and expenditure account		<b>9.1</b>	2.6
Increase in market value of investments			
Endowments	<i>xvi</i>	<b>56.8</b>	68.7
Reserves	<i>xvii</i>	<b>19.6</b>	20.7
New endowment capital	<i>xvi</i>	<b>24.9</b>	13.7
Transfer from Cambridge Assessment to University reserves	<i>xvii</i>	–	10.5
<b>Total recognised gains relating to the year</b>		<b>110.4</b>	116.2

**Reconciliation**

Opening reserves and endowments as previously stated	<b>1,177.0</b>
Total gains since the last annual report	<b>110.4</b>
<b>Closing reserves and endowments</b>	<b>1,287.4</b>

## Unaudited balance sheets as at 31 July 2006

	<i>Note</i>	<b>Group 31 July 2006</b>	Group 31 July 2005 <i>Restated</i>	<b>University 31 July 2006</b>	University 31 July 2005 <i>Restated</i>
		<b>£m</b>	£m	<b>£m</b>	£m
<b>Fixed assets</b>					
Tangible assets	<i>ix</i>	<b>835.2</b>	805.0	<b>841.4</b>	811.2
Investments	<i>x</i>	<b>145.9</b>	141.1	<b>146.8</b>	141.9
		<b>981.1</b>	946.1	<b>988.2</b>	953.1
<b>Endowment asset investments</b>	<i>xi</i>	<b>630.5</b>	546.2	<b>631.1</b>	546.2
<b>Current assets</b>					
Stocks and work in progress		<b>0.3</b>	0.5	<b>0.1</b>	0.1
Debtors	<i>xii</i>	<b>86.9</b>	98.2	<b>86.0</b>	95.3
Investments					
University	<i>xiii</i>	<b>204.2</b>	151.1	<b>203.0</b>	150.6
Held on behalf of others	<i>xiii</i>	<b>177.0</b>	178.7	<b>178.2</b>	179.3
Cash at bank and in hand		<b>5.6</b>	2.5	<b>1.5</b>	–
		<b>474.0</b>	431.0	<b>468.8</b>	425.3
<b>Creditors: amounts falling due within one year</b>	<i>xiv</i>	<b>(347.2)</b>	(321.7)	<b>(342.4)</b>	(316.4)
<b>Net current assets</b>		<b>126.8</b>	109.3	<b>126.4</b>	108.9
<b>Total assets less current liabilities</b>		<b>1,738.4</b>	1,601.6	<b>1,745.7</b>	1,608.2
<b>Total net assets</b>		<b>1,738.4</b>	1,601.6	<b>1,745.7</b>	1,608.2
<b>Represented by:</b>					
<b>Deferred capital grants</b>	<i>xv</i>	<b>451.0</b>	424.6	<b>451.0</b>	424.6
<b>Endowments</b>					
Specific endowments	<i>xvi</i>	<b>622.8</b>	539.2	<b>623.4</b>	539.2
General endowments	<i>xvi</i>	<b>7.7</b>	7.0	<b>7.7</b>	7.0
	<i>xvi</i>	<b>630.5</b>	546.2	<b>631.1</b>	546.2
<b>Reserves</b>					
General reserves	<i>xvii</i>	<b>493.6</b>	461.5	<b>500.3</b>	468.1
Revaluation reserve	<i>xvii</i>	<b>163.3</b>	169.3	<b>163.3</b>	169.3
	<i>xvii</i>	<b>656.9</b>	630.8	<b>663.6</b>	637.4
<b>Total</b>		<b>1,738.4</b>	1,601.6	<b>1,745.7</b>	1,608.2

**Notes to the unaudited accounts in respect of academic activities**

<b>i Funding Council and Training and Development Agency grants</b>	<b>2006</b>	<b>2005</b>
	<b>£m</b>	<b>£m</b>
<b>Higher Education Funding Council for England (HEFCE)</b>		
Recurrent grant	147.3	142.2
Specific grants	20.3	10.9
Deferred capital grant released in year (note xv)		
Equipment	4.5	4.1
Buildings	2.5	1.3
<b>HEFCE total</b>	<b>174.6</b>	<b>158.5</b>
<b>Training and Development Agency for Schools</b>		
Recurrent grant	3.5	3.8
	<b>178.1</b>	<b>162.3</b>
<b>ii Academic fees and support grants</b>		
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
	<b>59.0</b>	<b>56.0</b>
<b>iii Income: research grants and contracts</b>		
Research councils	89.7	78.0
UK based charities	60.1	57.3
Other bodies	54.1	53.4
	<b>203.9</b>	<b>188.7</b>
<b>iv Other income</b>		
Other services rendered	24.4	22.0
Health and hospital authorities	10.8	12.2
Catering	3.8	3.5
AHRC museum grant	1.5	1.5
University companies	9.8	8.0
Released from deferred capital grants (note xv)	6.7	6.5
Transferred from Cambridge Assessment	3.2	8.1
General donations	11.4	8.8
Specific donations released in the year	8.3	10.1
Rental income	7.0	6.2
Sundry income	3.4	2.6
	<b>90.3</b>	<b>89.5</b>
<b>v Endowment and investment income</b>		
Income from specific endowment asset investments	20.3	19.0
Income from general endowment asset investments	0.3	0.3
Other income credited to specific endowments	0.4	1.8
Other investment income	11.3	7.9
	<b>32.3</b>	<b>29.0</b>
<b>vi Staff costs</b>		
Wages and salaries	247.1	233.2
Social security costs	21.2	20.3
Pension costs (note xix)	32.5	29.8
	<b>300.8</b>	<b>283.3</b>
<b>Emoluments of the Vice-Chancellor</b>		
	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Emoluments excluding employer's pension contributions	196	190
Employer's pension contributions	–	–
	<b>196</b>	<b>190</b>

## Notes to the unaudited accounts in respect of academic activities (continued)

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

	Clinical		Non-Clinical		Total number	
	2006	2005	2006	2005	2006	2005
£70,000 – £80,000	36	31	41	30	77	61
£80,001 – £90,000	32	19	32	19	64	38
£90,001 – £100,000	22	15	15	3	37	18
£100,001 – £110,000	7	11	5	2	12	13
£110,001 – £120,000	9	8	3	2	12	10
£120,001 – £130,000	6	10	1	–	7	10
£130,001 – £140,000	9	6	1	2	10	8
£140,001 – £150,000	7	4	1	–	8	4
£150,001 – £160,000	1	4	1	–	2	4
£160,001 – £170,000	5	6	–	–	5	6
£170,001 – £180,000	5	6	–	–	5	6
£180,001 – £190,000	1	1	1	1	2	2
£190,001 – £200,000	2	2	–	–	2	2
£200,001 – £210,000	1	–	–	–	1	–

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

## vii Analysis of expenditure by activity

	Staff costs £m	Other operating expenses £m	Depreciation £m	2006 Total £m	2005 Total £m
Academic departments	140.3	25.4	7.8	173.5	167.2
Academic services	19.6	9.6	0.7	29.9	26.0
Payments to colleges	–	34.1	–	34.1	30.1
Research grants and contracts	90.6	74.1	8.3	173.0	162.4
Other activities:					
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	13.3	23.0	0.4	36.7	34.2
Administration and central services:					
Administration	21.3	7.9	1.5	30.7	26.8
General educational	1.6	11.9	–	13.5	14.0
Staff and student facilities	2.4	0.6	–	3.0	3.1
Development office	2.0	2.9	–	4.9	4.1
Other	–	1.1	–	1.1	1.1
Administration and central services total	27.3	24.4	1.5	53.2	49.1
Premises	9.7	27.4	19.1	56.2	53.9
Total per income and expenditure account	300.8	218.0	37.8	556.6	522.9

The depreciation charge has been funded by:	Deferred capital grants (note xv)	22.2
	Revaluation reserve (note xvii)	6.0
	General income	9.6
		37.8

## Auditors' remuneration

	2006 £000	2005 £000
Other operating expenses include:		
Audit fees payable to the University's external auditors	185	156
Other fees payable to the University's external auditors	7	–
Audit fees payable to other firms	3	3

These amounts include related irrecoverable VAT.

**Notes to the unaudited accounts in respect of academic activities (continued)**

<b>viii Surplus on continuing operations for the year</b>	<b>2006</b>	2005
	<b>£m</b>	£m
The surplus on continuing operations for the year is made up as follows:		
University's surplus for the year	<b>7.0</b>	0.3
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	<b>2.8</b>	2.4
	<b>9.8</b>	2.7
Surplus dealt with in the accounts of the University	<b>(0.7)</b>	(0.1)
Deficit retained in subsidiary undertakings	<b>9.1</b>	2.6

<b>ix Tangible fixed assets</b>	<b>Land and buildings</b>	<b>Assets in construction</b>	<b>Equipment</b>	<b>Heritage assets</b>	<b>2006 Total</b>	2005 Total
<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	<b>742.7</b>	<b>107.7</b>	<b>137.5</b>	<b>14.3</b>	<b>1,002.2</b>	906.7
Additions at cost	<b>0.1</b>	<b>48.3</b>	<b>18.4</b>	<b>3.2</b>	<b>70.0</b>	95.7
Transfers	<b>44.3</b>	<b>(44.3)</b>	–	–	–	–
Disposals	<b>(0.9)</b>	–	<b>(7.1)</b>	–	<b>(8.0)</b>	(0.2)
At 31 July	<b>786.2</b>	<b>111.7</b>	<b>148.8</b>	<b>17.5</b>	<b>1,064.2</b>	1,002.2
<b>Depreciation</b>						
At 1 August	<b>99.4</b>	–	<b>97.8</b>	–	<b>197.2</b>	162.0
Charge for the year	<b>19.1</b>	–	<b>18.7</b>	–	<b>37.8</b>	35.3
Elimination on disposals	<b>(0.1)</b>	–	<b>(5.9)</b>	–	<b>(6.0)</b>	(0.1)
At 31 July	<b>118.4</b>	–	<b>110.6</b>	–	<b>229.0</b>	197.2
<b>Net book value</b>						
At 31 July	<b>667.8</b>	<b>111.7</b>	<b>38.2</b>	<b>17.5</b>	<b>835.2</b>	805.0
At 1 August	643.3	107.7	39.7	14.3	805.0	744.7
<i>University</i>						
<b>Cost or valuation</b>						
At 1 August	<b>748.8</b>	<b>107.7</b>	<b>137.3</b>	<b>14.3</b>	<b>1,008.1</b>	912.6
Additions at cost	<b>0.1</b>	<b>48.3</b>	<b>18.4</b>	<b>3.2</b>	<b>70.0</b>	95.7
Transfers	<b>44.4</b>	<b>(44.3)</b>	–	–	<b>0.1</b>	–
Disposals	<b>(0.9)</b>	–	<b>(7.1)</b>	–	<b>(8.0)</b>	(0.2)
At 31 July	<b>792.4</b>	<b>111.7</b>	<b>148.6</b>	<b>17.5</b>	<b>1,070.2</b>	1,008.1
<b>Depreciation</b>						
At 1 August:	<b>99.4</b>	–	<b>97.5</b>	–	<b>196.9</b>	161.8
Charge for the year	<b>19.2</b>	–	<b>18.7</b>	–	<b>37.9</b>	35.2
Elimination on disposals	<b>(0.1)</b>	–	<b>(5.9)</b>	–	<b>(6.0)</b>	(0.1)
At 31 July	<b>118.5</b>	–	<b>110.3</b>	–	<b>228.8</b>	196.9
<b>Net book value</b>						
At 31 July	<b>673.9</b>	<b>111.7</b>	<b>38.3</b>	<b>17.5</b>	<b>841.4</b>	811.2
At 1 August	649.4	107.7	39.8	14.3	811.2	750.8

Land and buildings includes land totalling £69.6m (2005: £69.6m) 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 unaudited accounts in respect of academic activities (continued)

	Group 2006 £m	Group 2005 £m	University 2006 £m	University 2005 £m
<b>x Fixed asset investments</b>				
Opening balance	141.1	125.3	141.9	125.2
Net disposals in the year	(8.3)	(1.3)	(8.0)	(0.3)
Increase in market value of investments	13.1	17.1	12.9	17.0
Closing balance	<b>145.9</b>	141.1	<b>146.8</b>	141.9
Represented by:				
Property	38.0	41.9	38.0	41.9
Securities	94.8	86.6	94.8	91.5
Money market investments	5.7	4.1	5.7	4.1
Investments in subsidiary undertakings	–	–	5.1	–
Investment in spin-out companies	6.6	8.2	2.4	3.1
Cash in hand and at investment managers	0.6	0.1	0.6	0.1
Other	0.2	0.2	0.2	1.2
	<b>145.9</b>	141.1	<b>146.8</b>	141.9
<b>xi Endowment asset investments</b>				
Long-term Investments				
Property	83.9	73.0	83.9	73.0
Securities	473.0	408.2	473.0	408.2
Money market investments	71.1	61.9	71.1	61.9
Loan to subsidiary undertaking	–	–	2.4	2.4
Cash in hand and at investment managers	0.3	0.6	0.7	0.6
	<b>628.3</b>	543.7	<b>631.1</b>	546.1
Investment in spin-out companies	2.2	2.4	–	–
Bank balances	–	0.1	–	0.1
	<b>630.5</b>	546.2	<b>631.1</b>	546.2
<b>xii Debtors</b>				
Research grants recoverable	59.2	57.2	59.2	57.2
Amounts due from subsidiary undertakings	–	–	2.7	1.3
Other debtors	27.7	41.0	24.1	36.8
	<b>86.9</b>	98.2	<b>86.0</b>	95.3
<b>xiii Current asset investments</b>				
Property	23.7	24.3	23.7	24.3
Securities	126.9	133.4	126.9	133.4
Money market investments	192.7	134.4	192.7	134.5
Short-term deposits	37.9	37.7	37.9	37.7
	<b>381.2</b>	329.8	<b>381.2</b>	329.9
Representing:				
University	204.2	151.1	203.0	150.6
Held on behalf of subsidiary undertakings, related parties and other associated bodies (see note xiv)	177.0	178.7	178.2	179.3
	<b>381.2</b>	329.8	<b>381.2</b>	329.9

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

**Notes to the unaudited accounts in respect of academic activities (continued)****xiv Creditors: amounts falling due within one year**

	<b>Group 2006 £m</b>	Group 2005 £m	<b>University 2006 £m</b>	University 2005 £m
Bank overdraft	–	3.7	–	3.7
Research grants received in advance	<b>68.1</b>	53.4	<b>68.1</b>	53.4
Other creditors	<b>102.1</b>	85.9	<b>96.1</b>	80.0
Investments held on behalf of subsidiary undertakings, related parties and other associated bodies (see note xiii)	<b>177.0</b>	178.7	<b>178.2</b>	179.3
	<b>347.2</b>	321.7	<b>342.4</b>	316.4

**xv Deferred capital grants**

<i>Group and University</i>	<b>Funding Council £m</b>	<b>Research Grants £m</b>	<b>Other Grants £m</b>	<b>2006 Total £m</b>	2005 £m
Balance 1 August					
Buildings	<b>93.7</b>	–	<b>288.6</b>	<b>382.3</b>	317.6
Equipment	<b>9.9</b>	<b>15.3</b>	<b>3.0</b>	<b>28.2</b>	26.8
Heritage assets	–	–	<b>14.3</b>	<b>14.3</b>	10.7
	<b>103.6</b>	<b>15.3</b>	<b>305.9</b>	<b>424.8</b>	355.1
Grants received					
Buildings	<b>29.7</b>	–	<b>2.0</b>	<b>31.7</b>	71.3
Equipment	<b>5.2</b>	<b>8.9</b>	<b>0.5</b>	<b>14.6</b>	15.0
Heritage assets	–	–	<b>3.1</b>	<b>3.1</b>	3.5
	<b>34.9</b>	<b>8.9</b>	<b>5.6</b>	<b>49.4</b>	89.8
Released to income and expenditure					
Buildings – to match depreciation	<b>(2.5)</b>	–	<b>(5.3)</b>	<b>(7.8)</b>	(6.6)
Equipment – to match depreciation	<b>(4.5)</b>	<b>(8.5)</b>	<b>(1.4)</b>	<b>(14.4)</b>	(13.7)
Equipment – on disposals	<b>(0.8)</b>	<b>(0.2)</b>	–	<b>(1.0)</b>	–
	<b>(7.8)</b>	<b>(8.7)</b>	<b>(6.7)</b>	<b>(23.2)</b>	(20.3)
Balance 31 July					
Buildings	<b>120.9</b>	–	<b>285.3</b>	<b>406.2</b>	382.3
Equipment	<b>9.8</b>	<b>15.5</b>	<b>2.1</b>	<b>27.4</b>	28.1
Heritage assets	–	–	<b>17.4</b>	<b>17.4</b>	14.2
	<b>130.7</b>	<b>15.5</b>	<b>304.8</b>	<b>451.0</b>	424.6

## Notes to the unaudited accounts in respect of academic activities (continued)

## xvi Endowments

<i>Group</i>	<b>Specific £m</b>	<b>General £m</b>	<b>2006 Total £m</b>	2005 Total £m
Balance 1 August	539.2	7.0	546.2	461.5
Permanent endowments received	24.9	–	24.9	13.7
Income receivable from endowment asset investments	20.3	0.3	20.6	19.3
Donations and other income	0.4	–	0.4	1.8
Expenditure	(18.1)	(0.3)	(18.4)	(18.8)
Excess of income over expenditure retained in specific endowments	2.6	–	2.6	2.3
Increase in market value of investments	56.1	0.7	56.8	68.7
Balance 31 July	622.8	7.7	630.5	546.2
<i>University</i>	<b>Specific £m</b>	<b>General £m</b>	<b>2006 Total £m</b>	2005 Total £m
Balance 1 August	539.2	7.0	546.2	459.4
Permanent endowments received	24.9	–	24.9	16.1
Income receivable from endowment asset investments	20.2	0.3	20.5	19.3
Donations and other income	0.4	–	0.4	1.6
Expenditure	(17.8)	(0.3)	(18.1)	(18.6)
Excess of income over expenditure retained in specific endowments	2.8	–	2.8	2.3
Increase in market value of investments	56.5	0.7	57.2	68.4
Balance 31 July	623.4	7.7	631.1	546.2
<b>Representing:</b>	<b>Specific £m</b>	<b>General £m</b>	<b>2006 Total £m</b>	2005 Total £m
Trust and Special Funds:				
Professorships, Readerships and Lectureships	251.1	–	251.1	208.6
Scholarships and bursaries	67.6	–	67.6	60.8
Other	304.7	–	304.7	269.9
General endowments	–	7.7	7.7	6.9
University total	623.4	7.7	631.1	546.2
Subsidiary undertakings	1.8	–	1.8	–
Group total	625.2	7.7	632.9	546.2

**Notes to the unaudited accounts in respect of academic activities (continued)****xvii Reserves**  
*Group*

	<b>General reserves £m</b>	<b>Operational property revaluation reserve £m</b>	<b>2006 Total £m</b>	2005 Total £m
Balance 1 August as previously stated	431.8	199.0	630.8	599.3
Prior year adjustment to correct revaluation reserve	29.7	(29.7)	–	–
Restated opening balance	461.5	169.3	630.8	599.3
Surplus retained for the year	6.5	–	6.5	0.3
Transfer from Cambridge Assessment	–	–	–	10.5
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	–	–
Increase in market value of investments	19.6	–	19.6	20.7
Balance 31 July	493.6	163.3	656.9	630.8

*University*

	<b>General reserves £m</b>	<b>Operational property revaluation reserve £m</b>	<b>2006 Total £m</b>	2005 Total £m
Balance 1 August	438.4	199.0	637.4	605.8
Prior year adjustment to correct revaluation reserve	29.7	(29.7)	–	–
Restated opening balance	468.1	169.3	637.4	605.8
Surplus retained for the year	7.0	–	7.0	0.4
Transfer from Cambridge Assessment	–	–	–	10.5
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	–	–
Increase in market value of investments	19.2	–	19.2	20.7
Balance 31 July	500.3	163.3	663.6	637.4

**xviii Capital commitments**

	<b>2006 £m</b>	2005 £m
Commitments contracted at 31 July	48.0	57.0
Authorised but not contracted at 31 July	–	–

Of the capital expenditure committed at 31 July 2006, approximately 53% (2005: 75%) will be funded by specific grants and donations.

**xix 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. The University also has a smaller number of staff in other pension schemes, including the National Health Service Pension Scheme (NHSPS).

	<b>2006 £m</b>	2005 £m
The total pension cost for the year (see note vi) was:		
USS: contributions	21.9	20.8
CPS: contributions	9.1	7.6
NHSPS: contributions	1.4	1.3
Contributions to other pension schemes	0.1	0.1
	<b>32.5</b>	29.8