

eduserv



**COMPANY NUMBER: 3763109**  
**CHARITY NUMBER: 1079456**

**EDUSERV (LIMITED BY GUARANTEE)**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2006**

**EDUSERV (LIMITED BY GUARANTEE)  
LEGAL AND ADMINISTRATIVE DETAILS  
FOR THE YEAR ENDED 31 JULY 2006**

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<b>Status</b>	Eduserv is a company limited by guarantee and a registered charity.
<b>Governing Document</b>	Memorandum and Articles of Association
<b>Company Number</b>	3763109
<b>Charity Number</b>	1079456
<b>Registered office and Operational address</b>	Queen Anne House 11 Charlotte Street Bath BA1 2NE
<b>Honorary officers</b>	Peter Ford – Chairman
<b>Principal staff</b>	Stephen Butcher – Chief Executive Edward Zedlewski – Deputy Chief Executive Martin Tregonning – Finance Director Peter Walker – Director Eduserv Chest
<b>Principal bankers</b>	Royal Bank of Scotland 8-9 Quiet Street Bath BA1 2JN
<b>Solicitors</b>	Sinclair Taylor & Martin 2 Putney Hill London SW15 6AB
<b>Auditors</b>	Horwath Clark Whitehill LLP Aquis House 49-51 Blagrove Street Reading Berkshire RG1 1PL

**EDUSERV (LIMITED BY GUARANTEE)**  
**REPORT OF THE TRUSTEES**  
**FOR THE YEAR ENDED 31 JULY 2006**

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The Trustees present their report and the audited Financial Statements for the year ended 31 July 2006.

Legal and administrative information set out on page 1 forms part of this report. The Financial Statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice—Accounting and Reporting by Charities (issued in March 2005) and the Companies Act 1985.

**EDUSERV'S AIMS AND ACTIVITIES IN 2006**

Eduserv's mission is to work with partners to realise the benefits of IT for learning, research and the wider public good.

Eduserv aims to fulfil its mission by:

- providing services that facilitate the more effective use of IT for learning, research and the wider public good;
- funding pure research and applied research and development, both within and outside Eduserv, that will contribute to the effective use of IT for learning, research and the wider public good;
- meeting the commercial demand for our services through our trading subsidiary Eduserv Technologies Ltd, and using the profits generated to support our charitable activities.

**Access and Identity Management (AIM)**

The Eduserv AIM products and services, most notably Athens, provide single sign-on access to hundreds of online services for staff and students of UK universities and colleges and for practitioners and researchers in the NHS. Users may sign-on from anywhere, personalise their view of the resources accessed, and move seamlessly from resource to resource. The service supported over 4.3 million users in 2006 (*2005: 3.3 million*)

Objectives for our AIM services in 2006 were:

- to continue investment in technical infrastructure to maintain the resilience of our AIM services;
- to broaden the coverage and usage of the Athens services;
- to progress interoperability between Athens and organisations using Shibboleth or other SAML (Security Assertion Mark-up Language) technology;
- to extend the operations of our Middleware Assisted Take-Up service (MATU).

In 2006 we upgraded and rationalised our technical infrastructure to improve maintainability and achieved improved system performance through a series of tuning enhancements.

Very high availability is critical for the Athens service. We are proud that it maintained 100% uptime throughout the year reflecting the continuing substantial investment in its resilience.

During the year we have engaged more further education colleges in utilising Athens, with a programme of exhibitions, training events and newsletters. Twenty-six academic institutions used the Athens service for the first time in 2006. In addition, 23 new service providers joined the Athens federation and a further 13 new sites adopted AthensDA (Devolved Authentication) technology to enable full local authentication and thereby integrate access to both external and internal resources. There are now 57 fully operative DA sites.

**EDUSERV (LIMITED BY GUARANTEE)**  
**REPORT OF THE TRUSTEES (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

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To facilitate interoperability between Athens services and other SAML technologies, we have continued development of the Athens/Shibboleth gateways. We have also signed off production releases of bridging technology for integrating Eduserv AIM services with Novell's SAML based iChain technology.

The Middleware Assisted Take-Up (MATU) service has provided a broad range of support materials and training events to early adopters of Shibboleth protocol software. The service contract is funded to December 2006 and we have already successfully delivered an active outreach programme of support and training events to 110 institutions including 29 pilot projects. We would have liked to continue to offer this service beyond December 2006, but we were not awarded funding to do so.

In 2007 Eduserv will continue the development of AIM technology and production quality services facilitating use of and interoperability with SAML standards. We expect to facilitate access to the UK Access Management Federation both for educational institutions and for other communities of users, such as those in the NHS, that are unable to implement Shibboleth or for whom implementation would be excessively costly at this stage.

In addition, in 2007 we plan a programme of new developments of AIM technologies in support of a richer user experience and the needs of user administrators and content consumers.

#### **e-Resource Procurement**

Eduserv Chest negotiates software and online information licences for universities and colleges. It provides benefit to institutions, firstly, by obtaining terms that are more favourable than are otherwise available and, secondly, through saving institutions the significant time otherwise required for negotiation and licence term management.

In 2006, the Chest service delivered increased benefit to universities by introducing 11 new product offerings and renewing a further 12. In software, site licensing for PDF reader/writer and patch manage solutions was introduced for the first time and special arrangements were organised with new back-up and grid computing management suppliers. The electronic information sources were also extended with the addition of PsycInfo, ChildData and a range of 70 journals from Maney.

In total, over 750 new licences were processed for universities and colleges, increasing the amount spent through agreements organised and managed by Chest to over £8 million. The community increased its use of Chest services by 12% with over 3,400 licences now in place.

During the year and in line with the medium term strategy, Chest made several additional senior appointments to increase contracting and communication capabilities. In addition, the service invested in significant back office infrastructure that will deliver scaleable, cost-effective administration and better management information. It is expected that the benefits from these changes will be realised in the next financial year.

Alongside these developments, growth in the value of benefits to institutions will be sought through closer working with other agencies and having a greater focus on larger suppliers, trialling new procurement methods where appropriate. Benefit will be measured by the value and number of transactions made by these institutions with a target growth of not less than 12% for the year.

#### **Web Solutions**

In 2006 Eduserv developed substantial new Content Management Systems (CMS) and associated web services for The Training and Development Agency for Schools (TDA) and the Joint Information Systems Committee (JISC). Eduserv also provides the managed hosting infrastructure for these services.

We continue to host services for the DfES, Ofsted and Becta, as well as a number of smaller educational clients. We have now moved to a new Tier 4 secondary data centre facility located over 150 kilometres from our primary facilities, thus offering further capacity and resilience to our clients. Our service delivery infrastructure is now underpinned by an enterprise class Service Desk toolset and operations which are ITIL and Prince2 standards compliant. We expect ISO certification of our integrated management processes by early 2007.

**EDUSERV (LIMITED BY GUARANTEE)**  
**REPORT OF THE TRUSTEES (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

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During 2007 we expect to develop a shared CMS platform service for customers with more modest requirements and budgets as part of our contribution to the shared services infrastructure agenda across the public sector. Alongside this we will investigate other opportunities for delivering shared services to our community. We also plan to create an upgraded WAN infrastructure providing a more cost effective, resilient and higher capacity service to our customers.

#### **The Eduserv Foundation**

The Foundation seeks to fulfil Eduserv's second aim by supporting the effective application of ICT in education through a programme of external grant funding, the provision of consultancy services and advice on best practice, a contribution to standards making activities and the development of software toolkits and pilot services.

The objectives of the Foundation in 2006 were:

- the effective management of existing research projects;
- the continuation of existing programmes and the development of new programmes addressing specific stakeholder concerns;
- delivering a successful second annual Eduserv Foundation Symposium;
- developing a medium-term strategy for 2006-2010;
- integrating Foundation activities more closely with other parts of Eduserv.

As part of our medium term strategy, we increasingly focused the attention of the Foundation on activities related to the following areas: metadata and repositories; access and identity management; service architectures; and effective e-learning. These areas build on the programme of grants initiated in previous years and the expertise of staff in the Foundation and, more widely, within Eduserv.

The major new projects funded during 2006 are now up and running and existing projects progressing well. The information literacy web site was successfully launched at the LILAC conference and an associated call for proposals resulted in the Foundation funding five small information literacy projects.

During 2006, £331k was committed to new research and projects (2005: £479k). The funding for major grants was lower than in previous years because the more targeted nature of the call for funding resulted in fewer proposals, while each of the successful grants was only for two years rather than three. In addition to the two larger grants, there have also been five smaller grants average less than £15k each. No such grants were made in the previous year. Event Sponsorship increased to £39k (2005: £27k), including a successful second symposium on the issues around e-portfolios and identity management.

The addition of two new Foundation staff, Andy Powell in December 2005 and Pete Johnston in May 2006, allowed the Foundation to contribute to various national and international workshops and activities including the Dublin Core Metadata Initiative, the JISC repositories programme, the JISC/DEST e-Framework for Education and Research and the Digital Library Federation Service Framework Working Group. Foundation staff now regularly contribute to internal discussions about strategically important issues and meet with potential and existing Eduserv clients when appropriate.

#### **Eduserv Technologies Limited**

Eduserv Technologies Limited exists both to carry out charitable activities through the provision of services to educational organisations, and also to provide the same services to non-education related clients on a commercial basis. During 2006, services provided by Eduserv Technologies Limited to education related clients accounted for 79% of the company turnover (2005: 70%)

**EDUSERV (LIMITED BY GUARANTEE)**  
**REPORT OF THE TRUSTEES (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

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**Eduserv Technologies Limited (continued)**

The commercial activities of Eduserv Technologies Limited enable Eduserv to fulfil its third aim, to make money for charitable activities through meeting the commercial demand for its services. In 2006 Eduserv Technologies Limited continued to increase development of its management and technical infrastructure. It paid licence fees and Gift Aid to Eduserv of £689k (2005: £710k).

In 2007 Eduserv Technologies Limited is budgeting to make licence and Gift Aid payments to Eduserv of not less than £550k.

**ORGANISATION**

Eduserv is organised into three operating units in two companies. Our e-resource procurement service (Eduserv Chest) and the Eduserv Foundation operate within Eduserv, a company limited by guarantee. Our web solutions and access management services are provided through the wholly owned subsidiary of Eduserv, Eduserv Technologies Limited. As well as providing services to educational institutions and agencies, this subsidiary also meets the demand for these services from government departments and other public sector organisations that are outside Eduserv's charitable constituency. All the taxable profits from these services are Gift Aided to Eduserv and fund the work of the Eduserv Foundation.

Eduserv is governed by a board of Trustees who also act as directors under the Companies Act and who meet at least four times a year. The Trustees determine the overall strategy of the charity and agree objectives. There are also three committees of Trustees who address and monitor specific issues:

- the Audit Committee – who meet at least twice a year and oversee financial control and reporting, investment policy, and risk mitigation;
- the Remuneration and Appointments Committee – who authorise the overall level of staff remuneration and determine the remuneration and appointment of executive staff;
- the Grants Committee – who determine overall grants policy and the awarding of major grants;
- the Investment Committee – who advise the board on overall investment strategy and authorise investments and review ongoing investment performance.

The Trustees delegate day-to-day management of the charity and of its subsidiary to an executive committee consisting of the Chief Executive who reports directly to the board, a Deputy Chief Executive and Chief Technical Officer, a Finance Director, and a Director of e-Resource Procurement.

During the year the Trustees undertook an exercise to compare the structure and management of Eduserv against the principles set out in the Charity Commission's publication, CC60 – "Hallmarks of a Well Run Charity." The Trustees used the services of an external facilitator to review governance and direction arrangements against CC60 and were satisfied with the outcome.

**2005/2006 FINANCIAL RESULTS**

In 2006, the overall surplus before Foundation expenditure was £1,645,000 (2005: £1,475,000). Included within this overall surplus was a return on investments of £733,000, which was significantly higher than 2005's of £611,000.

The £1,645,000 (2005: £1,475,000) also included an overall trading surplus of £977,000 (2005: £893,000) generated by charitable trading within Eduserv and the surplus generated by Eduserv Technologies Limited.

**EDUSERV (LIMITED BY GUARANTEE)**  
**REPORT OF THE TRUSTEES (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

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**2005/2006 FINANCIAL RESULTS (continued)**

The strong investment performance and the continuing significant contribution of Eduserv Technologies Limited have allowed us to allocate a further £1m of funding (*2005: £1m*) to the Eduserv Foundation. These resources will enable the Foundation to further develop its programmes promoting the effective application of IT in education.

In addition, the Trustees have, for the first time, set aside £1.0m (*2005: £nil*) in a Development Reserve. The purpose of the reserve is to develop new programmes and services for our charitable constituency. It is anticipated that this Reserve will start to be spent in the latter half of 2006/07, and will be spent over a period of two to three years.

**RESERVES POLICY**

In accordance with best practice in charity administration, the Trustees have given consideration to what is an appropriate level of reserves to be holding.

When doing this, they have considered the purposes for which Eduserv is holding reserves and have taken a number of elements into account, including:

- to fund capital investment in facilities and equipment in order to maintain our charitable operations;
- to provide working capital for the charity;
- to support the trading subsidiary which provides an income stream for the charity;
- to guard against unforeseen risks - both from liability for professional negligence and from severe market disruption.

For the 2005/2006 financial year, the Trustees believe that it would be appropriate to maintain free reserves at a level within the range of £1,845,000 to £2,255,000.

At 31<sup>st</sup> July 2006, Eduserv held total general reserves of £2,249,000.

This policy, which is designed to ensure that Eduserv does not hold on to any more funds than necessary and returns the maximum benefit to the education community, will be reviewed annually. Any surplus reserves will be returned to the education community, either through the provision of additional services, or through the Eduserv Foundation.

**INVESTMENT POLICY**

Following the adoption of the revised investment strategy in November 2004, the Eduserv investment portfolio has continued to perform well, in spite of the downturn in both the equity and bond markets in the last quarter of the financial year. Eduserv's investments represent funds not immediately required for operational purposes, and tighter management of cashflow has enabled Eduserv to invest a further £1.25m in November 2005.

The investments are spread across a balanced portfolio of equities, gilts and bonds, commercial property, and cash, and the overall risk profile for the portfolio is medium-low. The equities, gilts and bonds, and commercial property are all held in unitised funds, and the cash element is held in a designated current account.

The Trustees consider the annual return of 11.1% (*2005: 12.1%*) for the non-cash element to be satisfactory, especially in light of recent market conditions. Investment returns in 2007 are expected to be lower than in 2006.

The return on the cash element of the investments is fixed at .25% below the Bank of England base rate.

**EDUSERV (LIMITED BY GUARANTEE)**  
**REPORT OF THE TRUSTEES (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

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**RISK STATEMENT**

The Trustees have a programme of reviewing risk on an ongoing basis. The Trustees have examined the major risks to which Eduserv is exposed and are satisfied that systems have been put in place to manage them.

The keys risks considered by the Trustees are:

- Recovery from a major disaster
- Failure to keep up with technical developments in relation to the services we offer
- Poor communication with stakeholders and inadequate stakeholder involvement
- Recruitment and retention of skilled staff

**GRANT MAKING POLICY**

Eduserv's grant making aims to encourage the effective development and use of e-learning, digital content and middleware services for learning and research.

**RELATED PARTIES AND CONNECTED ORGANISATIONS**

There are no related parties or connected organisations to be disclosed outside of the Eduserv Group.

**THE TRUSTEES**

The Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

Professor Peter Ford - Chair  
Richard Barrington  
Eric Burrows  
Dr David Boyd  
Michael Breaks  
Thomas Chadwick  
Annette Haworth  
Simon Marsden

All Trustees served throughout the year, with the exception of Eric Burrows who was appointed on 8 December 2005

Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up. The total number of such guarantees at 31 July 2006 was 8 (2004 - 7).

The Trustees have no beneficial interest in the group or charitable company.

**APPOINTMENT OF TRUSTEES**

The Trustees represent the beneficiaries for whom Eduserv exists: the education community in general and in particular Higher and Further Education in the UK. Trustees are appointed to the Board for their understanding of these sectors and of the particular contribution IT can make to teaching, learning, and research within them.

**EDUSERV (LIMITED BY GUARANTEE)**  
**REPORT OF THE TRUSTEES (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

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**APPOINTMENT OF TRUSTEES (continued)**

Eduserv conducts an orientation program for new Trustees, which includes:

- Charitable objects and mission
- Board structure, including committees, terms of reference, and delegated powers
- Trustee responsibilities
- Business plans
- Financial results and forward projections
- Key performance indicators
- Company policies

In addition to induction, Eduserv actively looks for appropriate training courses and events for all Trustees, both new and existing.

**AUDITORS**

Horwath Clark Whitehill LLP will be proposed for reappointment as auditors to the company at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

Approved by the Trustees on  
and signed on their behalf by

.....  
Peter Ford – Chair  
Eduserv

**EDUSERV (LIMITED BY GUARANTEE)**  
**STATEMENT OF**  
**TRUSTEES' RESPONSIBILITIES**

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The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the group and of the charitable company as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure for the year then ended. In preparing those financial statements the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the group and charitable company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and the charitable company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

So far as the Trustees are aware, there is no relevant audit information of which the charitable company's auditors are unaware. The Trustees have each taken all the steps that we ought to have taken as Trustees in order to make ourselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDUSERV (LIMITED BY GUARANTEE)**

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We have audited the accounts of Eduserv for the year ended 31 July 2006 which comprise the consolidated Statement of Financial Activities, the consolidated Balance Sheet, the charitable company Balance Sheet, the consolidated Cash Flow Statement and related notes. These accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described in the Statement of Trustees' Responsibilities, the company's directors, who are also charity trustees, are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Trustees' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Trustees' Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

### **BASIS OF OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the judgements made by the trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances as a charity, consistently applied and adequately disclosed.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF EDUSERV (LIMITED BY GUARANTEE) (CONTINUED)**

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We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**UNQUALIFIED OPINION**

In our opinion, the accounts:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and charitable company as at 31 July 2006 and of their incoming resources and application of resources, for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985;
- are consistent with the information given in the Trustees Report.

Reading

**HORWATH CLARK WHITEHILL LLP**  
Chartered Accountants and  
Registered Auditors

**EDUSERV (LIMITED BY GUARANTEE)**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31 JULY 2006**  
**(INCORPORATING INCOME AND EXPENDITURE ACCOUNT)**

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		<b>Unrestricted funds</b>	
	Notes	<b>2006</b>	<b>2005</b>
		£	£
<b>Incoming resources</b>			
<i>From activities in furtherance of the charity's objects:-</i>		<b>8,332,193</b>	6,631,390
<i>From activities to generate funds:-</i>			
Income generated by Eduserv Technologies Limited	8	<b>5,719,934</b>	5,319,177
Investment income	9	<u><b>95,860</b></u>	<u>198,004</u>
<b>Total incoming resources</b>		<b><u>14,147,987</u></b>	<b><u>12,148,571</u></b>
<b>Resources expended</b>			
<i>Cost of generating funds :-</i>			
Cost of Eduserv Technologies Limited	8	<b>5,021,470</b>	4,566,391
<i>Charitable activities :-</i>			
Eduserv Foundation	3	<b>444,052</b>	531,356
Services provided to higher and further education		<b>8,053,660</b>	6,491,104
Governance		<u><b>64,680</b></u>	<u>29,192</u>
<b>Total resources expended</b>	3	<b><u>13,583,862</u></b>	<b><u>11,618,043</u></b>
<b>Net incoming resources</b>	4	<b>564,125</b>	530,528
Net realised gains on investments		<u>-</u>	<u>30,683</u>
<b>Net income for the year</b>		<b>564,125</b>	561,211
Unrealised gains on investments	9	<u><b>636,725</b></u>	<u>382,530</u>
<b>Net incoming resources for the year</b>		<b>1,200,850</b>	943,741
<b>Funds at the start of the year</b>		<u><b>5,582,794</b></u>	<u>4,639,053</u>
<b>Funds at the year end</b>	13	<u><b>£6,783,644</b></u>	<u>£5,582,794</u>

All of the above results are derived from continuing activities. There were no recognised gains or losses other than those stated above.

The notes on pages 15 to 25 form part of these financial statements

**EDUSERV (LIMITED BY GUARANTEE)**

**BALANCE SHEETS**

**31 JULY 2006**

		Group		Charity	
	Notes	2006 £	2005 £	2006 £	2005 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	7	1,035,255	806,198	327,630	162,160
Investments	9	<u>6,369,255</u>	<u>4,482,530</u>	<u>6,369,255</u>	<u>4,482,531</u>
		<b>7,404,510</b>	<b>5,288,728</b>	<b>6,696,885</b>	<b>4,644,691</b>
<b>CURRENT ASSETS</b>					
Debtors	10	3,563,333	4,072,732	3,479,917	3,712,964
Short Term Investments		1,005,460	-	1,005,460	-
Cash at bank and in hand		<u>1,482,539</u>	<u>3,673,945</u>	<u>1,277,798</u>	<u>3,592,018</u>
		<b>6,051,332</b>	<b>7,746,677</b>	<b>5,763,175</b>	<b>7,304,982</b>
<b>CREDITORS: Amounts</b> falling due within one year	11	<u>6,672,198</u>	<u>7,452,611</u>	<u>5,682,495</u>	<u>6,372,462</u>
<b>NET CURRENT ASSETS</b>		<u><b>(620,866)</b></u>	<u><b>294,066</b></u>	<u><b>80,680</b></u>	<u><b>932,520</b></u>
 <b>NET ASSETS</b>		 <u><b>£ 6,783,644</b></u>	 <u><b>£ 5,582,794</b></u>	 <u><b>£ 6,777,565</b></u>	 <u><b>£ 5,577,211</b></u>
<b>FUNDS</b>					
Unrestricted funds					
Designated funds		3,659,161	2,086,477	3,659,161	2,586,477
General funds		<u>3,124,483</u>	<u>3,496,317</u>	<u>3,118,404</u>	<u>2,990,734</u>
<b>TOTAL FUNDS</b>	12, 13	<u><b>£ 6,783,644</b></u>	<u><b>£ 5,582,794</b></u>	<u><b>£ 6,777,565</b></u>	<u><b>£ 5,577,211</b></u>

Approved by the Trustees on  
and signed on their behalf by:-

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Peter Ford  
Chairman

The notes on pages 15 to 25 form part of these financial statements

**EDUSERV (LIMITED BY GUARANTEE)**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 JULY 2006**

	2006 £	2005 £
<b>Net cash flow from operating activities</b>	<b>698,579</b>	<b>(299,614)</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	95,860	198,004
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(774,778)	(364,173)
Proceeds from disposal of fixed assets	44,393	-
Proceeds from sale of investments		2,736,935
Purchase of investments	<u>(2,255,460)</u>	<u>(4,100,000)</u>
<b>(Decrease)/increase in cash</b>	<b><u>£(2,191,406)</u></b>	<b><u>£(1,828,848)</u></b>

**Notes:**

**Reconciliation of net movement in funds to net cash flow from operating activities**

	2006 £	2005 £
Net incoming resources	564,125	530,528
Investment income	<u>(95,860)</u>	<u>(198,004)</u>
	468,265	332,524
Depreciation	506,881	449,223
(Profit)/Loss on disposal of fixed assets	(5,553)	2,495
Decrease/(Increase in debtors)	509,399	(237,493)
(Decrease)/increase in creditors	<u>(780,413)</u>	<u>(846,363)</u>
Net cash flow from operating activities	<b><u>£ 698,579</u></b>	<b><u>£ (299,614)</u></b>

**Analysis of net cash resources**

	<i>At 1 August</i> <i>2005</i> £	<b>Cash flow</b> £	<b>At 31 July</b> <b>2006</b> £
Cash at bank and in hand	<u>£ 3,673,945</u>	<b><u>£(2,191,406)</u></b>	<b><u>£ 1,482,539</u></b>

The notes on pages 14 to 24 form part of these financial statements

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2006**

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**1. ACCOUNTING POLICIES**

- a) The Financial Statements have been prepared under the historical cost convention (with the exception of the revaluation of investments) and in accordance with applicable accounting standards. They follow the recommendations in the Statement of Recommended Practice – Accounting and Reporting by Charities: the Charities SORP 2005 and the Companies Act 1985.

Consolidated financial statements (“group accounts”) have been prepared in respect of the charity and its wholly owned subsidiary, Eduserv Technologies Limited. The results of Eduserv Technologies Limited have been consolidated into the Statement of Financial Activities on a line by line basis. In accordance with Section 230 of the Companies Act 1985 a separate Statement of Financial Activities for the charity has not been presented.

- b) Incoming resources from activities in furtherance of the charitable activities represents a combination of fees received for performing services to educational bodies and the provision of electronic data and software to educational institutions under fixed term contracts. The fees for performing the services to educational bodies are recognised in the month that they occur, and the income from fixed term contracts of twelve months or less is recognised in full at the renewal of each contract. When the fixed term is for greater than twelve months, the income is apportioned over the contract period.
- c) Grants paid are recognised in the accounts under the accruals basis, under the specific provisions of FRS 12 – commitments, contingent liabilities and assets.
- d) Unrestricted funds are represented by incoming resources received or generated for the charitable purposes.

Designated funds comprise unrestricted funds that have been put aside at the discretion of trustees for particular purposes.

- e) Resources expended are recognised in the period in which they are incurred, and are allocated to the particular operating unit where the cost relates directly to that unit. However, the cost of overall direction and administration of each operating unit, comprising the salary and overhead costs (ie support costs as detailed within the table in Note 3) of the central function, is apportioned according to the staff levels in each activity.

Governance costs include the management of the charitable company’s assets, organisational management and compliance with constitutional and statutory requirements.

- f) Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life. Items with a total cost of less than £1,000 are expensed in the period in which they occur.

The depreciation rates in use are as follows:-

Leasehold improvements	- over the remaining life of the lease
Plant	- 4 years
IT equipment (excluding laptops)	- 3 years
Laptops	- 2 years
Software	- 3 years
Office furniture and equipment	- 4 - 5 years

Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

**1. ACCOUNTING POLICIES (CONTINUED)**

- g) Investments are stated at the value as at the balance sheet date. Investment income is recognised on an accruals basis.
- Short term investments represent cash deposits held as part of a balanced investment portfolio.
- h) Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the Statement of Financial Activities on a straight line basis over the life of the lease.
- i) The institution participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The liabilities are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pension over the period during which the institution benefits from the employees' service.
- j) Fee income received in advance represents contract income invoiced three months prior to the contract renewal date.
- k) Research and development costs are expensed in the period in which they occur.
- l) Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All foreign exchange differences are recognised in the Statement of Financial Activities.

**2. INCOMING RESOURCES**

Incoming resources from activities in furtherance of charitable objects arise from the sale of software and information licences for universities, colleges and libraries.

All incoming resources from activities to generate funds arise from Eduserv Technologies Limited, a wholly owned trading subsidiary.

	2006 £	2005 £
<b>Geographical analysis:</b>		
United Kingdom	13,526,161	11,473,233
Other EC	178,857	477,334
Rest of the world	<u>347,109</u>	<u>-</u>
	<b><u>£14,052,127</u></b>	<b><u>£11,950,567</u></b>

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

**3. ANALYSIS OF TOTAL RESOURCES EXPENDED**

	Staff Costs £	Other Costs £	Depreciation £	2006 Total £	2005 Total £
<b>Charitable Expenditure</b>					
Eduserv Foundation	105,577	336,444	2,031	<b>444,052</b>	531,356
Services provided to Higher and Further Education	347,946	7,702,300	3,414	<b>8,053,660</b>	6,491,104
Governance	<u>25,148</u>	<u>38,868</u>	<u>664</u>	<b><u>64,680</u></b>	<u>29,192</u>
<b>Total for Charity</b>	478,671	8,077,612	6,109	<b>8,562,392</b>	7,051,652
Trading costs of the subsidiary	<u>2,818,830</u>	<u>1,701,868</u>	<u>500,772</u>	<b><u>5,021,470</u></b>	<u>4,566,391</u>
<b>Total for the group</b>	<u><b>£3,297,501</b></u>	<u><b>£ 9,779,480</b></u>	<u><b>£ 506,881</b></u>	<u><b>£13,583,862</b></u>	<u><b>£11,618,043</b></u>

The categories of charitable expenditure include the following support costs:

<b>Charitable Expenditure</b>	<b>Finance &amp; Administration</b>	<b>IT</b>	<b>Facilities</b>	<b>Management</b>	<b>Marketing</b>	<b>Total</b>
Services provided to higher and further education	25,838	50,417	39,825	67,168	17,149	200,397
Eduserv Foundation	<u>5,197</u>	<u>9,583</u>	<u>8,011</u>	<u>13,511</u>	<u>3,450</u>	<u>39,752</u>
	<u><b>31,035</b></u>	<u><b>60,000</b></u>	<u><b>47,836</b></u>	<u><b>80,679</b></u>	<u><b>20,599</b></u>	<u><b>240,149</b></u>

The support costs have been allocated as per accounting policy 1e).

**EDUSERV FOUNDATION**

Eduserv Foundation expenditure in the year is as follows:-

	<b>Number of Grants</b>	<b>2006 £</b>	<b>2005 £</b>
<b>Grants to Institutions</b>			
Oxford University	1	-	124,300
Nottingham University	1	-	152,000
Open University	1	-	153,544
University of Plymouth	1	<b>80,390</b>	-
University of Portsmouth	1	<b>98,853</b>	-
<b>Small Grants (all institutional)</b>	<b>5</b>	<u><b>74,972</b></u>	-
Commitments for future grants approved in the year – see note 11		<b>254,215</b>	429,844
<b>Research Staff</b>		<b>37,709</b>	-
<b>Event Sponsorship</b>		<u><b>39,404</b></u>	<u>49,510</u>
		<b>331,328</b>	479,354
Foundation administration costs		<u><b>112,724</b></u>	<u>52,002</u>
		<u><b>£ 444,052</b></u>	<u><b>£ 531,356</b></u>

All Foundation expenditure relates to research into the implications of using IT in education.

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

**4. GROUP NET INCOMING RESOURCES FOR THE YEAR**

This is stated after charging/crediting:-

	2006 £	2005 £
Depreciation	506,881	449,223
Trustees' indemnity insurance	2,993	3,142
Trustees' remuneration	-	-
Trustees' reimbursed expenses	11,518	10,698
Auditors' remuneration - audit	26,863	15,000
- other services	3,050	-
Operating lease rentals - property	<u>131,250</u>	<u>135,389</u>

Trustees' reimbursed expenses represent reimbursement made to 7 (2005: 7) Trustees for travel and subsistence in attending Trustees' and other meetings.

**5. STAFF COSTS**

	2006 £	2005 £
Salaries and wages	2,783,799	2,480,309
Social security costs	254,902	234,319
Pension contributions	<u>258,800</u>	<u>196,716</u>
	<u>£ 3,297,501</u>	<u>£ 2,911,344</u>

No of employees that earned £60,000 - £70,000:	3	(2005: 1)
No of employees that earned £90,000 - £100,000:	0	(2005: 2)
No of employees that earned £100,000 - £110,000:	2	(2005: 0)

	2006 No.	2005 No.
The average number of employees (full time equivalent)	<u>84.1</u>	<u>73.9</u>

Retirement benefits were paid on behalf of 4 higher paid members of staff in 2006 (2005: 2) into the scheme set out in note 15 to the accounts.

1 higher paid employee had pension contributions paid into a personal pension scheme. The contributions paid in the year were £8,680 (2005: £8,120).

Three of the higher paid employees also acted as directors of Eduserv Technologies Limited, the wholly owned trading subsidiary. No separate remuneration was paid to them for their work as directors of Eduserv Technologies Limited.

**6. TAXATION**

The charitable company is exempt from Corporation Tax as all of its income is charitable and is applied for charitable purposes. The taxable profits of the subsidiary are paid to the charity under Gift Aid and therefore the subsidiary has no tax charge for the year.

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

**7. TANGIBLE FIXED ASSETS**

**Group**

	Leasehold Improve- ments £	Leasehold Property £	Plant £	IT Equipment £	Office Furniture & Equipment £	Total £
<b>COST</b>						
At 1 August 2005	24,042	-	96,204	1,758,255	33,003	1,911,504
Additions	8,137	267,358	-	471,814	27,469	774,778
Disposals	-	-	-	(220,712)	(2,664)	(223,376)
At 31 July 2006	32,179	267,358	96,204	2,009,357	57,808	2,462,906
<b>DEPRECIATION</b>						
At 1 August 2005	10,889	-	41,095	1,029,429	23,893	1,105,306
Charge for year	6,443	-	24,051	468,689	7,698	506,881
Disposals	-	-	-	(184,462)	(74)	(184,536)
At 31 July 2006	17,332	-	65,146	1,313,656	31,517	1,427,651
<b>NET BOOK VALUE</b>						
At 31 July 2006	<u>£ 14,847</u>	<u>£267,358</u>	<u>£ 31,058</u>	<u>£ 695,701</u>	<u>£ 26,291</u>	<u>£1,035,255</u>
At 31 July 2005	<u>£ 13,153</u>	<u>£ -</u>	<u>£ 55,109</u>	<u>£ 728,826</u>	<u>£ 9,110</u>	<u>£ 806,198</u>

**Charity**

	Leasehold Improve- ments £	Leasehold Property £	Plant £	IT Equipment £	Office Furniture & Equipment £	Total £
<b>COST</b>						
At 1 August 2005	12,842	-	56,170	917,685	33,003	1,019,700
Additions	8,137	267,358	-	-	12,597	288,092
Disposals	-	-	-	(187,083)	-	(187,083)
At 31 July 2006	20,979	267,358	56,170	730,602	45,600	1,120,709
<b>DEPRECIATION</b>						
At 1 August 2005	7,338	-	27,070	799,239	23,893	857,540
Charge for year	3,643	-	14,043	95,030	7,285	120,001
Disposals	-	-	-	(184,462)	-	(184,462)
At 31 July 2006	10,981	-	41,113	709,807	31,178	793,079
<b>NET BOOK VALUE</b>						
At 31 July 2006	<u>£ 9,998</u>	<u>£ 267,358</u>	<u>£ 15,057</u>	<u>£ 20,795</u>	<u>£ 14,422</u>	<u>£ 327,630</u>
At 31 July 2005	<u>£ 5,504</u>	<u>£ -</u>	<u>£ 29,100</u>	<u>£ 118,446</u>	<u>£ 9,110</u>	<u>£ 162,160</u>

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

**8. SUBSIDIARY UNDERTAKING**

Eduserv Technologies Limited (company number 4256630) is a wholly owned trading subsidiary of Eduserv. The subsidiary generates additional revenue income to the charity through the extension of the group's services to organisations other than educational institutions, predominantly in the public sector.

All activities have been consolidated on a line by line basis in the SOFA. The taxable net profit is gifted to the charity. A summary of the results of the subsidiary is shown below:-

	2006 £	2005 £
Turnover	5,719,934	5,319,177
Cost of sales	<u>(397,470)</u>	<u>(266,724)</u>
Gross profit	5,322,464	5,052,453
Administrative expenses	(4,624,001)	(4,299,667)
Licence fees paid to Eduserv	<u>(282,623)</u>	<u>(265,959)</u>
Operating profit	415,840	486,827
Interest receivable	10,117	24,629
Interest payable	<u>(19,100)</u>	<u>(64,985)</u>
Profit on ordinary activities	406,857	446,471
Gift aid to Eduserv	<u>(406,362)</u>	<u>(444,427)</u>
Profit for the financial year	<u>£ 495</u>	<u>£ 2,044</u>
Net assets	<u>£ 6,079</u>	<u>£ 5,584</u>

Eduserv Technologies Limited is also the beneficial owner of Eduserv Technologies New Zealand Limited. The results of this subsidiary are immaterial and have not been consolidated into the group accounts.

**9. INVESTMENTS**

The charity had investments at 31 July 2006 of £6,369,255 (2005: £4,482,530) in eleven separate unitised funds.

	£
<i>Value of Investments 1 August 2005</i>	4,482,530
Additions	1,250,000
Unrealised gain on investments	<u>636,725</u>
<b>Value of investments at 31 July 2006</b>	<b><u>£6,369,255</u></b>

The investments are stated at market value at 31 July 2006.

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

**9. INVESTMENTS (CONTINUED)**

Investments are categorised as follows:-

	2006 £	2005 £
Unitised funds	<u>£6,369,255</u>	<u>£4,482,530</u>

The portfolio is made up of the following investments in unitised funds, predominately in accumulation units:-

	2006 £	2005 £
<b>Equities</b>		
M&G – Charifund	731,313	621,953
New Star Active – Portfolio Fund	741,120	629,687
Credit Suisse – Multi Manager Fund	698,946	609,626
Credit Suisse – Global	603,040	-
<b>Fixed Interest</b>		
M&G – Charibond	403,438	392,865
CAF – Income Fund	406,047	396,310
Newton International Bond Fund	461,875	-
UBS – Absolute Return Fund	318,468	304,692
<b>Property</b>		
New Star Active – Property Fund	880,512	753,692
Norwich Union – Property Fund	887,714	773,705
Skandia Global Property	<u>236,782</u>	-
	<u>£6,369,255</u>	<u>£4,482,530</u>

The charity also holds a £1 share (representing the entire issued share capital) of Eduserv Technologies Limited, and a £1 share capital in each of CHEST Limited, NISS Limited, and Eduserve Limited which are companies held for name protection purposes.

Investment income received in the year was:-

	2006 £	2005 £
Interest received	<u>£ 95,860</u>	<u>£ 198,004</u>

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

**10. DEBTORS**

	Group		Charity	
	2006 £	2005 £	2006 £	2005 £
Amounts due from Eduserv Technologies Limited	-	-	<b>766,262</b>	749,052
Fees receivable	<b>2,483,050</b>	2,600,634	<b>1,850,661</b>	1,776,879
Prepayments and accrued income	<b>1,069,109</b>	1,466,179	<b>862,044</b>	1,183,944
Other debtors	<u><b>11,174</b></u>	<u>5,919</u>	<u><b>950</b></u>	<u>3,089</u>
	<u><b>£ 3,563,333</b></u>	<u>£ 4,072,732</u>	<u><b>£ 3,479,917</b></u>	<u>£ 3,712,964</u>

The inter-company debtor between Eduserv Technologies Limited and Eduserv is secured by a fixed and floating charge over all assets of the company.

**11. CREDITORS:** Amounts falling due within one year

	Group		Charity	
	2006 £	2005 £	2006 £	2005 £
Fee income received in advance	<b>3,874,590</b>	3,468,606	<b>3,370,552</b>	3,127,166
Amounts due to JISC	<b>49,645</b>	98,915	<b>49,645</b>	98,915
Trade creditors	<b>461,382</b>	1,146,411	<b>359,592</b>	761,360
Other creditors	-	17,690	-	17,690
Taxation and social security	<b>662,179</b>	506,618	<b>453,746</b>	338,286
Accruals	<b>806,805</b>	1,326,106	<b>631,363</b>	1,140,780
Grant accruals	<u><b>817,597</b></u>	<u>888,265</u>	<u><b>817,597</b></u>	<u>888,265</u>
	<u><b>£ 6,672,198</b></u>	<u>£ 7,452,611</u>	<u><b>£ 5,682,495</b></u>	<u>£ 6,372,462</u>

Included in accruals is £140,028 (2005: £144,930) which is due in more than one year.

Grant accruals represent the accrued liability for commitments for Eduserv Foundation grants.

The movement in grant accruals during the year were:-

	£
<i>Balance at 1 August 2005</i>	888,265
Commitments for future grants approved in the year	254,215
Grant payments in the year	<u>(324,883)</u>
<b>Balance at 31 July 2006</b>	<u><b>£ 817,597</b></u>

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

**12. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS**

The charity's net assets are analysed between funds as follows:-

	Tangible fixed assets £	Investments £	Net current assets £	Total £
Eduserv Foundation	-	2,221,493	437,668	2,659,161
Development reserve	-	1,000,000	-	1,000,000
General fund	<u>1,035,255</u>	<u>3,147,762</u>	<u>(1,058,534)</u>	<u>3,124,483</u>
	<u>£ 1,035,255</u>	<u>£ 6,369,255</u>	<u>£ (620,866)</u>	<u>£ 6,783,644</u>

**13. MOVEMENT IN FUNDS**

	<i>At 1 August 2005</i> £	Incoming Resources £	Outgoing Resources £	Realised and Unrealised Gains on Investments £	Transfers Between Funds £	At 31 July 2006 £
<b>Unrestricted funds:</b>						
<i>Designated funds:</i>						
Eduserv Foundation	2,086,477	16,736	(444,052)	-	1,000,000	2,659,161
Development Reserve	-	-	-	-	1,000,000	1,000,000
<i>General Fund</i>	<u>3,496,317</u>	<u>14,131,251</u>	<u>(13,139,810)</u>	<u>636,725</u>	<u>(2,000,000)</u>	<u>3,124,483</u>
<b>Total funds</b>	<u>£ 5,582,794</u>	<u>£14,147,987</u>	<u>£ (13,583,862)</u>	<u>£ 636,725</u>	<u>£ -</u>	<u>£6,783,644</u>

**Purposes of Designated Funds**

The Eduserv Foundation manages funding initiatives with the overall aim of developing the successful application of IT in education.

The Development Reserve is a fund set aside to develop new programs and services for our charitable constituency. It is anticipated that this Reserve will start to be spent in the latter half of 2006/07, and will be spent over a period of two to three years.

**14. OPERATING LEASE COMMITMENTS**

The charitable company had annual commitments under property operating leases expiring as follows:-

	2006 £	2005 £
Less than 1 year	83,037	15,000
Between 1 - 5 years	<u>131,250</u>	<u>131,250</u>
	<u>£ 214,287</u>	<u>£ 146,250</u>

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

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**15. PENSION SCHEME**

The Company participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", the scheme is accounted for as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with experience) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million leaving a shortfall of assets of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS formula, as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the company's future contribution commitment. An additional factor which could impact on the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a "last man standing" scheme so that in the event of insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which can not otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

**EDUSERV (LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2006**

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**15. PENSION SCHEME (continued)**

The total pension cost for the company was £258,800 (2005: £196,716). This includes £ Nil (2005: £17,000) of outstanding contributions at the balance sheet date. The contribution rate payable by the company was 14% of pensionable salaries.

This total pension cost includes £8,680 (2005: £8,120) paid into a personal pension scheme.

**16. RELATED PARTY TRANSACTIONS**

Eduserv is exempt from disclosing transactions with its subsidiary undertaking under the special provisions of FRS 8 – Related Party Transactions.

There were no material related party transactions (other than with the subsidiary undertaking) during the year that require reporting.

**17. EDUSERV ACTING AS AN AGENT**

During the year Eduserv acted as an agent for the JISC (Joint Information Systems Committee) in arranging the purchasing of certain online data resources on a consortia basis. Eduserv invoiced educational institutions for the online data resources, and paid the suppliers. The amounts invoiced to the institutions of £808,956 (2005: £2,578,683) and payments to suppliers of £598,811 (2005: £1,977,769) are not included in the Statement of Financial Activities as the nature of the arrangement is that Eduserv is acting as an agent. Eduserv receive income from the JISC for the cost of administering the contract and any surplus is payable to the JISC.

At the balance sheet date the amount outstanding to the JISC was £49,645 (2005: £98,915).