



**STATEMENT
OF ACCOUNTS
2000 / 2001**



CONTENTS

Report of the Treasurer	1
Corporate Governance	3
Responsibilities of the Council of the University	5
Report of the Auditors	7
Consolidated Income and Expenditure Account	8
Consolidated Statement of Historical Cost Surpluses	9
Statement of Consolidated Total Recognised Gains and Losses	9
Balance Sheets	10
Consolidated Cash Flow Statement	11
Statement of Principal Accounting Policies	12-14
Notes to the Accounts	15-34
Appendices to the Financial Statements	
1. Access funds	35
2. Peninsula Medical School	35

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REPORT OF THE TREASURER

SCOPE OF THE FINANCIAL STATEMENTS

The Financial Statements for the financial year to 31 July 2001 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP).

The accounts of the University's wholly owned subsidiary companies, Dartvale Limited and Exeter Development Capital Limited have been consolidated with those of the University. Dartvale Limited is operated to effect VAT savings on property transactions. Exeter Development Capital Limited was formed in 1996/97 to facilitate a loan arrangement with National Westminster Bank Plc. Dartvale Limited and Exeter Development Capital Limited covenant the whole of any taxable profits to the University. Exeter Residences 1 Plc a former business expansion scheme company used to raise finance for the building of student residences was liquidated during the year.

The Financial Statements of the University's only other subsidiary company, Exeter Enterprises Limited and those of the University of Exeter Guild of Students have not been consolidated on the grounds of materiality. The accounts of the Exeter University Foundation, which is governed by a separate trust deed and trustees, have not been consolidated on the grounds that the University does not operate day to day control over its activities.

The University's total income increased by 3.8% compared with the previous year. Student numbers for

2000/01 amounted to 9,606 full time equivalents (1999/2000: 9,434). Income from research grants and contracts increased by 8.6% to £11.7m, reflecting a general increase in activity. Revenue from residences and catering activities increased as a result of continuing management action to improve occupancy levels, which recorded their highest level for many years. Income from conferences and consultancies reduced following the completion of the Marchmont contract but this was more than offset by the generation of other income which increased by 57% to £4.9m and represented significant progress in the University's aim to diversify income sources.

Expenditure, excluding depreciation, increased by 6.6% over 1999/2000. The main recurrent increases resulted from the recruitment of additional staff and pay awards, which continued to exceed the Government's allowance in the grant settlement. The retained surplus for the year was £674k after inclusion of the gain realised on the disposal of five small off-campus student residences.

This is the ninth year that the University has benefited from the cessation of the employer's contributions to the University of Exeter Retirement Benefits Scheme (ERBS). Following a full valuation on 6 April 2000 the Trustees of the scheme were notified that the scheme remained significantly in surplus. The Trustees decided to continue to suspend the University's contributions until 31 December 2004, which amount to approximately £850k per annum and to make certain benefit improvements for

RESULTS FOR THE YEAR - INCOME AND EXPENDITURE ACCOUNT

The University's consolidated Income and Expenditure Account reveals results for the year to 31 July 2001 as follows:

	2000/01	1999/2000
	£'000	£'000
Income	88,877	85,649
Expenditure	(88,943)	(83,442)
Gain on Disposal of Assets	740	2,956
Surplus after Depreciation of Assets at	<u>674</u>	<u>5,163</u>
Valuation and Taxation	<u>2,006</u>	<u>7,259</u>
Historical Cost Surplus	<u>2,006</u>	<u>7,259</u>



REPORT OF THE TREASURER

members. This continued suspension of contributions is subject to the outcome of (annual) interim reviews by the scheme Actuary, which in the current financial climate may require the original decision to be revisited in due course.

RESULTS FOR THE YEAR - BALANCE SHEET

The Balance Sheet at 31 July 2001 includes expenditure in the year on land and buildings totalling £6.9m. This includes expenditure of £2.0m in respect of new and improved sports facilities. Expenditure amounting to £2.1m was incurred on a new building to house the School of Arab and Islamic Studies, which has been funded by a major benefactor. Authorised and contracted capital commitments at the year-end amounted to £4.1m whilst those authorised but not contracted amounted to £41.5m. A major initiative, costing in excess of £30m, to redevelop and extend student residences is the main reason for these substantial commitments. Other significant items are for works planned in connection with the Peninsula Medical School, the relocation of computer science, a biocatalysis centre and a sedimentary research facility.

Investments performed satisfactorily in view of the adverse stock market conditions that prevailed during the year and in relation to the targets that were set for the University's investment managers. The University's total endowment asset investments have, after the inclusion of additional endowments, capital losses, retention of income received and a withdrawal of £0.5m to fund related expenditure in the year, fallen from £11.2m to £10.3m. A full breakdown of the changes is given in Note 12.

At 31 July 2001 the University had a consolidated income and expenditure account reserve of £30.2m.

CASHFLOW

The University's consolidated holding of cash at bank and in hand increased during the year by £0.4m to £10.9m. Cash outflow arising on capital investment and financial investment activities was fully covered by an operating cash inflow of £5.0m. Net debt over the year

to 31 July 2001 decreased by £0.2m. Expenditure on capitalised equipment was £1.5m and this was primarily funded under research grant initiatives.

CONCLUSION

The financial statements for 2000/01 demonstrate that the University continues to face difficult challenges in meeting the annual reduction (in real terms) in national funding to higher education institutions. Steps continue to be taken to develop further external funding from a wide variety of sources and to identify further opportunities to reduce costs.

During the year the University has reviewed its medium to long term strategy (originally established in 1995/96) with a view to reconsidering its overall direction. It will continue to reduce its dependence on central funding by promoting initiatives within both the academic and non-academic sectors that produce external income. Action is planned to increase income from sources other than grants from the funding bodies, tuition fees and catering activities by a target percentage over the plan period to 2006. Actions are also planned for future surpluses on core activities, with a view to providing funding for innovation and development and to apply the outcomes of the Transparent Approach to Costing exercise, with a view to determining more realistic overhead rates, an improved approach to resource allocation and a better basis for future investment decisions.

The above actions should enable the University to proceed with confidence in achieving its overall objectives in the knowledge that progress towards greater financial self-reliance is being carefully managed and monitored.

In closing my colleagues and I on the Council of the University want to acknowledge and thank my predecessor Mr Norman Hardyman for his invaluable contribution to the successful financial management of the University over the last nine years.

G A STURTRIDGE
TREASURER

November 2001



CORPORATE GOVERNANCE STATEMENT

The following statement is provided to enable readers of the Annual Report and Accounts of the University to obtain a better understanding of the governance and legal structure of the University.

The University endeavours to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen in its *Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland*.

The University is an independent corporation, whose legal status derives from a Royal Charter granted in 1955. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, approved by the Privy Council.

The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** - is the supreme governing body responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. The approval by Council of any changes to the Charter and Statutes is required before they can be submitted to the Privy Council.

It has a majority of members from outside the University (described as lay members), from whom its Chair must be drawn. Also included in its members are representatives of the staff of the University and the student body. None of the lay members receives payment, apart from the reimbursement of expenses, for the work that the member does for the University.

- **The Senate** - is the academic authority of the University and draws its membership from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.

- **The Court** - is a large, mainly formal body which offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise any matters about the University. The Court normally meets once a year to receive the Annual Report and Accounts of the University and has the right to advise Senate and Council.

A majority of the members of the Court will be from outside the University, representing the local community and other designated bodies with an interest in the work of the University. The membership also includes representatives of the staff of the University (both academic and non-academic), the student body, former students and benefactors.

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

Although the Council meets at least three times each academic year, much of its detailed work is initially handled by committees, in particular the Planning and Resources Committee (joint with Senate), the Finance Committee, the Buildings and Estate Committee, the Staffing Committee and the Audit Committee. The decisions of these Committees are formally reported to the Council.

These committees, and in some cases others, are formally constituted as committees of the Council with written terms of reference and specified membership, including a significant proportion of lay members (from whom the Chair will be selected with the exception of the Planning and Resources Committee that is chaired by the Vice-Chancellor).

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence on the development of



CORPORATE GOVERNANCE STATEMENT

institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Deputy Vice-Chancellors and the senior administrative officers all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

The University maintains a Register of Interests of members of the Council, which may be consulted by arrangement with the Registrar and Secretary.

The Statutes of the University specify that the Registrar and Secretary should act as Secretary of the Council. Any enquiries about the constitution and governance of the University should be addressed to him.



RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY

In accordance with the Royal Charter of Incorporation and Statutes of the University of Exeter, and subject to the advice of the University Court, the Council of the University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation and Statutes, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, through its designated office holder (the Vice-Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the Teacher Training Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and administrative departments;
- a comprehensive medium and short term planning process supplemented by detailed annual income, expenditure and capital budgets and cash flow forecasts;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to detailed appraisal;
- Financial Regulations supplemented by a comprehensive Financial Handbook, detailing financial controls and procedures, which is updated on an annual basis;



RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY

- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Council and whose head provides Council with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control; including internal financial control.

Council's review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee (which oversees the work of the internal audit service), the individual members of staff within the University who have responsibility for the development and maintenance of the financial control framework and comments made by the external auditors in the management letter and in other reports. The University currently contracts out the internal audit function: Deloitte & Touche were the service provider during the year to 31 July 2001 and will provide the service during 2001/02 also.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The University is in the process of establishing the necessary processes to comply with revised direction from HEFCE in respect of the identification, evaluation and management of the risks it faces. The University is required to publish details of these processes within its financial statements no later than those for the year ended 31 July 2003.

The University has not asked its auditors to comment on its statement on internal controls.



REPORT OF THE AUDITORS

REPORT OF THE AUDITORS TO THE COUNCIL OF THE UNIVERSITY OF EXETER

We have audited the financial statements on pages 8 to 36, which have been prepared under the historic cost convention, as modified for the revaluation of certain assets, and the accounting policies set out on pages 12 to 14.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As described on pages 5 and 6, the University's Council is responsible for ensuring that financial statements are prepared in accordance with United Kingdom Law and accounting standards. It is our responsibility to form an independent opinion based on our audit, on the financial statements and to report our opinion to you. Our responsibilities as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board and by our professions ethical guidance.

BASIS OF OUR OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- i) the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2001, and of the University's and group income and expenditure, and group cash flows for the year then ended, and have been properly prepared in accordance with the 'Statement of Recommended Practice on Accounting in Further and Higher Education Institutions', and with the University's Charter of Incorporation;
- ii) income from the Higher Education Funding Council for England and Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- iii) income has been applied in accordance with the University's Statutes, and where appropriate, with the Financial Memorandum (1 August 2000) of the Higher Education Funding Council for England.

ERNST AND YOUNG LLP
REGISTERED AUDITOR

10 December 2001

Broadwalk House
Southernhay West
Exeter
EX1 1LF


CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
 – for the Year ended 31 July 2001

INCOME	Note	2000/01 £'000	1999/00 £'000
Funding Council Grants	1	33,645	33,607
Tuition fees and education contracts	2	18,618	18,557
Research grants and contracts	3	11,695	10,773
Other income	4	23,504	21,524
Endowment and investment income	5	1,415	1,188
Total income		<u>88,877</u>	<u>85,649</u>
 EXPENDITURE			
Staff costs	6	49,760	45,263
Other operating expenses	7	33,192	32,325
Depreciation	7	4,024	3,735
Interest payable	8	1,967	2,119
Total expenditure		<u>88,943</u>	<u>83,442</u>
(Deficit)/surplus on continuing operations after depreciation of fixed assets at valuation and before tax		(66)	2,207
Gain on disposal of assets	10	740	2,956
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and after tax	9	<u>674</u>	<u>5,163</u>

The income and expenditure account is in respect of continuing activities.

England
DEMAND THE BEST

CONSOLIDATED STATEMENT OF HISTORICAL COST
SURPLUSES – for the Year ended 31 July 2001

	Note	2000/01 £'000	1999/00 £'000
Surplus on continuing operations before taxation		674	5,163
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	19	730	639
Realisation of property revaluation gains of previous years	19	602	1,457
Historical cost surplus for the year before taxation		<u>2,006</u>	<u>7,259</u>
Historical cost surplus for the year after taxation		<u>2,006</u>	<u>7,259</u>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED
GAINS AND LOSSES – for the Year ended 31 July 2001

	Note	2000/01 £'000	1999/00 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		674	5,163
(Depreciation)/appreciation of endowment asset investments	18	(796)	588
Endowment income (dispersed) for the year	18	(158)	(159)
New endowments	18	63	102
Revaluation surplus on fixed asset investments	19	171	237
Revaluation surplus on freehold land and buildings	19	55,304	—
Total recognised gains relating to the year		<u>55,258</u>	<u>5,931</u>
Reconciliation			
		£'000	£'000
Opening reserves and endowments		88,031	82,100
Total recognised gains for the year		55,258	5,931
Closing reserves and endowments		<u>143,289</u>	<u>88,031</u>

BALANCE SHEETS AS AT 31 JULY 2001

	Note	Group		University	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fixed assets					
Tangible assets	10	166,030	107,056	161,907	105,657
Investments	11	2,006	1,650	4,006	3,650
		<u>168,036</u>	<u>108,706</u>	<u>165,913</u>	<u>109,307</u>
Endowment assets	12	<u>10,320</u>	<u>11,211</u>	<u>10,320</u>	<u>11,211</u>
Current assets					
Stock		859	778	859	778
Debtors	13	6,637	6,839	6,561	7,605
Cash at bank and in hand		10,907	10,533	10,890	10,331
		<u>18,403</u>	<u>18,150</u>	<u>18,310</u>	<u>18,714</u>
Creditors: amounts falling due within one year	14	<u>(14,130)</u>	<u>(11,851)</u>	<u>(14,292)</u>	<u>(13,120)</u>
Net current assets		<u>4,273</u>	<u>6,299</u>	<u>4,018</u>	<u>5,594</u>
Total assets less current liabilities		182,629	126,216	180,251	126,112
Creditors: amounts falling due after more than one year	15	<u>(26,108)</u>	<u>(26,506)</u>	<u>(26,108)</u>	<u>(26,506)</u>
Net assets		<u>156,521</u>	<u>99,710</u>	<u>154,143</u>	<u>99,606</u>
Deferred capital grants	17	13,232	11,679	10,857	11,679
Specific endowments	18	10,320	11,211	10,320	11,211
Reserves					
Revaluation reserve	19	102,812	48,669	102,812	48,669
Income and expenditure reserve	20	30,157	28,151	30,154	28,047
		<u>132,969</u>	<u>76,820</u>	<u>132,966</u>	<u>76,716</u>
Total		<u>156,521</u>	<u>99,710</u>	<u>154,143</u>	<u>99,606</u>

The financial statements on pages 8 to 36 were approved by the Council on 10 December 2001 and signed on its behalf by:

G A Sturtridge - *Treasurer*
 Sir Geoffrey Holland - *Vice-Chancellor*
 Ian H C Powell - *Registrar & Secretary*

10 December 2001

England
DEMAND THE BEST

CONSOLIDATED CASH FLOW STATEMENT
- for the Year ended 31 July 2001

	Note	2000/01 £'000	1999/00 £'000
CASH INFLOW FROM OPERATING ACTIVITIES	21	5,051	4,220
Returns on investments and servicing of finance	22	(711)	(1,162)
Taxation		—	—
Capital expenditure and financial investment	23	(4,181)	621
Management of liquid resources	24	—	—
Financing	25	(398)	425
(Decrease)/increase in cash in the year		<u>(239)</u>	<u>4,104</u>
 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
		2000/01 £'000	1999/00 £'000
(Decrease)/increase in cash in the year		(239)	4,104
Cash inflow from new secured loans	25	(234)	(1,480)
Cash outflow from repayment of loans	25	632	1,055
Cashflow from liquid resources	24	—	—
Change in net debt resulting from cash flows	26	46	609
Movement in net debt in the year		<u>205</u>	<u>4,288</u>
Net Debt at 1 August		<u>(17,158)</u>	<u>(21,446)</u>
Net Debt at 31 July	26	<u>(16,953)</u>	<u>(17,158)</u>

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

GENERAL POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): Accounting in Further and Higher Education Institutions and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

b) Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

c) Basis of consolidation

The consolidated financial statements include the University of Exeter and its wholly owned subsidiary companies, Dartvale Limited and Exeter Development Capital Limited. Intra-group sales and profits are eliminated fully on consolidation. The financial statements of Exeter Enterprises Limited and the University of Exeter Guild of Students have not been consolidated on the grounds of materiality. Those of The Exeter University Foundation have not been consolidated on the grounds that the University does not operate day to day control over its activities. The aggregate amount of the respective share capital and reserves of Exeter Enterprises Limited and The University of Exeter Guild of Students as at 31 July 2001, and their profit or loss for the year ended on that date, are as follows:

	The University of Exeter Guild of Students £'000	Exeter Enterprises Limited £'000
Share capital and reserves	314	(10)
Profit	103	1

The University of Exeter Foundation is a development trust established to raise funds for the benefit of the University with its own charity registration. During the year ended 31 July 2001 it made charitable disbursements to the University of £1.1m (2000: £0.9m) and had funds totalling £5.7m at that date (2000: £4.5m).

d) Recognition of Income

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contribution towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs. The University holds no General Endowment Asset Investments.

Recurrent grants from the Funding Bodies are recognised in the period in which they are receivable.

Non-recurrent grants from the Funding Bodies or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

e) Taxation

No provision for taxation, deferred or otherwise, has been provided in these accounts as the University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is



STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

Except for its trading activities and certain consultancy, research activities and aspects of administration and central services, the University cannot recover Value Added Tax suffered on its expenditure and this cost is included under the various related expenditure heads.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

f) Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. Resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

INCOME AND EXPENDITURE ACCOUNT

a) Pension Schemes

The two principal pension schemes for University staff are the Universities Superannuation Scheme (USS) and the University of Exeter Retirement Benefits Scheme. The schemes are defined benefit schemes, which are externally invested and contracted out of the State Earnings-Related Pension Scheme (SERPS). Both funds are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the respective trustees on the

advice of the actuaries. In the intervening years, the respective actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes, and are accounted for on the basis of charging the cost of providing pensions over which the institution benefits from the employees' services. A small number of staff remain in other pension schemes. (See Note 27).

BALANCE SHEET

a) Land and Buildings

Land and Buildings are stated at valuation or, in the case of buildings in the course of construction, at cost. The basis of valuation is open market value or, where this cannot readily be established, depreciated replacement cost. Messrs. King Sturge, Chartered Surveyors, performed the valuation as at 31 July 2001.

Land, with the exception of that at the Camborne School of Mines, is held freehold and is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated over their expected remaining useful lives, subject to a maximum of 40 years. Leasehold land and buildings are depreciated over the life of the lease.

Where expenditure incurred on the development of new premises includes the cost of equipping the premises with furniture etc, the expenditure is capitalised together with the works costs.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.



STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

b) Equipment

Equipment, including computers and software, costing less than £25,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

All equipment acquired prior to 1 August 1994 was written off in the year of acquisition. On the grounds of economy, effectiveness and efficiency it was not considered to be practical to show an opening valuation at 1 August 1994.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

Computer equipment	- 4 years
Equipment acquired for specific research projects	- project life (generally 3 years)
Other equipment	- 8 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected life of the equipment (the period of the grant in respect of specific research projects).

c) Donated Assets

Assets donated on or after 1 August 1994 are capitalised in accordance with the criteria set out in notes a) and b) above. They are brought into the balance sheet at open market value for existing use or depreciated replacement cost on the date of receipt. Land and buildings donated prior to 1 August 1994 were capitalised at 31 July 1996 at valuation. It is not considered practical to identify and attribute a value to other items.

d) Investments

Fixed asset investments and endowment assets are included in the balance sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

e) Stock

Stock is shown at the lower of cost and net realisable value for building maintenance, bars, residences and catering stores, and the University Shop. Stocks of consumables held for administration purposes and in academic schools are not reflected in the balance sheet and are therefore met from recurrent funds in the year of purchase: it is not considered that such stocks have any material effect on the income and expenditure account.



NOTES TO THE ACCOUNTS

NOTE 1 FUNDING COUNCIL GRANTS

	HEFCE	2000/2001		1999/2000
	£'000	TTA	TOTAL	£'000
		£'000	£'000	
Recurrent grant	29,719	2,824	32,543	32,561
Specific grants				
HEFCE				
Institutional learning and teaching strategies	131	—	131	112
Medical capital	233	—	233	—
Others	139	—	139	92
TTA				
Numeracy skills test	—	23	23	200
Secondary subject shortage scheme	—	147	147	248
Partnership arrangements	—	34	34	32
Others	—	—	—	2
Deferred capital grants released in the year				
Buildings (note 17)	350	—	350	305
Equipment (note 17)	45	—	45	55
	<u>30,617</u>	<u>3,028</u>	<u>33,645</u>	<u>33,607</u>

NOTE 2 TUITION FEES AND EDUCATION SUPPORT CONTRACTS

	2000/01	1999/2000
	£'000	£'000
Full-time students	10,060	9,627
Full-time students charged overseas fees	5,553	6,066
Part-time fees	929	1,159
Research training support grants	110	115
Short course fees	1,966	1,590
	<u>18,618</u>	<u>18,557</u>

NOTE 3 RESEARCH GRANTS AND CONTRACTS

	2000/01	1999/2000
	£'000	£'000
Research councils	3,977	3,606
UK based charities	2,422	2,191
European Commission	490	612
Other grants and contracts	3,668	3,265
Releases from deferred capital grants	1,138	1,099
	<u>11,695</u>	<u>10,773</u>

NOTES TO THE ACCOUNTS

NOTE 4 OTHER INCOME

	2000/01	1999/2000
	£'000	£'000
Residences, catering and conferences	16,925	15,663
Other services rendered		
Validation fees		
Conference, consultancies and other external income	188	198
	1,426	2,512
Other income	4,965	3,151
	<u>23,504</u>	<u>21,524</u>

NOTE 5 ENDOWMENT AND INVESTMENT INCOME

	2000/01	1999/2000
	£'000	£'000
Transferred from specific endowments	525	503
Income from short term investments	858	640
Other interest received	3	19
Income from fixed asset investments	29	26
	<u>1,415</u>	<u>1,188</u>

NOTE 6 STAFF COSTS

	2000/01	1999/2000
	£'000	£'000
The average weekly number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:		
	Number	Number
Academic	558	546
Research	168	169
Academic services	64	60
Administrative	90	86
Technical	143	145
Clerical/secretarial	305	304
Manual and domestic	507	491
Occasional lecturers	86	91
Casual domestic etc.	41	48
	<u>1,962</u>	<u>1,940</u>
Totals		

NOTES TO THE ACCOUNTS

Staff costs for the above persons:

	2000/01	1999/2000
	£'000	£'000
Salaries and wages	42,439	39,053
Social security costs	3,120	2,914
Other pension costs (Note 27)	4,201	3,296
	49,760	45,263

The above emoluments include amounts payable to the Vice-Chancellor of:

	£	£
Salary	132,065	122,754
Benefits in kind	1,725	1,560
	133,790	124,314
Pension contributions	24,498	22,771

The emoluments of the Vice-Chancellor are shown on the same basis as for other salaried staff. The University's pension contributions to his personal pension scheme are paid at the rate that applied for other academic staff for the period to 1 January 1997.

Remuneration of other Higher Paid Staff, excluding employer's pension contributions (shown inclusive and exclusive of payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are excluded from the University's Income and Expenditure Account):

	2000/01		1999/2000	
	<i>Inclusive</i>	<i>Exclusive</i>	<i>Inclusive</i>	<i>Exclusive</i>
£50,000 - £59,999	47	47	28	28
£60,000 - £69,999	10	10	4	3
£70,000 - £79,999	—	—	—	—
£80,000 - £89,999	2	1	3	2
£90,000 - £99,999	—	—	—	—
£100,000 - £109,999	—	—	1	—
£110,000 - £119,999	1	—	1	—
£120,000 - £129,999	—	—	—	—
£130,000 - £139,999	1	—	—	—

NOTES TO THE ACCOUNTS

NOTE 7 OTHER OPERATING EXPENSES

	2000/01	1999/2000
	£'000	£'000
Residences, catering and conferences	8,124	8,286
Laboratory equipment and consumables	2,118	2,101
Other equipment	2,570	4,006
Books and periodicals	1,466	1,337
Fellowships, scholarships and prizes	1,826	1,881
Heat, light, water and power	1,564	1,550
Repairs and general maintenance	1,226	1,027
Grants to the University of Exeter Guild of Students	496	507
Office/administrative costs	808	716
Rents	45	33
Auditor's remuneration	29	27
Auditor's remuneration in respect of non-audit services*	3	7
Other expenses	12,917	10,847
	<u>33,192</u>	<u>32,325</u>

* In addition £33,000 paid to the auditor for professional advice in connection with a capital project has been added to the cost of that scheme and not charged as a revenue expense.

The above expenditure includes staffing costs resulting from payments to non-contracted personnel.

ANALYSIS OF 2000/01 EXPENDITURE BY ACTIVITY

	Staff	Depre-	Other	Interest	Total
	Costs	ciation	Operating	Payable	Expenditure
	£'000	£'000	Expenses	£'000	£'000
	£'000	£'000	£'000	£'000	£'000
Academic schools	27,439	99	10,098	—	37,636
Academic services	3,078	178	2,425	—	5,681
Administration	4,224	—	3,839	—	8,063
Premises	3,459	1,579	3,170	234	8,442
Residences, catering and conferences	4,080	894	8,124	1,556	14,654
Research grants and contracts	5,376	1,260	3,873	—	10,509
Other expenses	2,104	14	1,663	177	3,958
Total	<u>49,760</u>	<u>4,024</u>	<u>33,192</u>	<u>1,967</u>	<u>88,943</u>

NOTES TO THE ACCOUNTS

The depreciation charge has been funded by:

	£'000
Deferred capital grants released - buildings (note 17)	350
Deferred capital grants released - equipment (note 17)	1,207
Revaluation reserve released (note 19)	730
General income	1,737
	4,024

NOTE 8 INTEREST PAYABLE

	2000/01 £'000	1999/2000 £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, by instalments	194	386
Repayable wholly or in partly in more than 5 years	1,773	1,733
	1,967	2,119
Total		

NOTE 9 SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

The surplus on continuing operations for the period is made up as follows:

	2000/01 £'000	1999/2000 £'000
University's surplus for the year	670	5,195
Surplus/(deficit) generated by the subsidiary undertakings and transferred to the University under a deed of covenant	4	(32)
	674	5,163
Total		

NOTES TO THE ACCOUNTS

NOTE 10 TANGIBLE FIXED ASSETS

Group	Land and Buildings		Equipment	Total
	Freehold £'000	Long Leasehold £'000		
Cost/Valuation				
At 1 August 2000				
Valuation	102,940	—	—	102,940
Cost	8,484	474	5,149	14,107
	<u>111,424</u>	<u>474</u>	<u>5,149</u>	<u>117,047</u>
Additions	6,913	—	1,454	8,367
Disposals	(714)	—	—	(714)
Surplus on revaluation	45,675	—	—	45,675
At 31 July 2001				
Valuation	159,175	—	—	159,175
Cost	4,123	474	6,603	11,200
	<u>163,298</u>	<u>474</u>	<u>6,603</u>	<u>170,375</u>
Depreciation				
At 1 August 2000	7,221	166	2,604	9,991
Charge for the Year	2,449	24	1,551	4,024
Eliminated on disposals	(42)	—	—	(42)
Surplus on revaluation	(9,628)	—	—	(9,628)
At 31 July 2001	<u>—</u>	<u>190</u>	<u>4,155</u>	<u>4,345</u>
Net Book Value				
At 31 July 2001	<u>163,298</u>	<u>284</u>	<u>2,448</u>	<u>166,030</u>
At 1 August 2000	<u>104,203</u>	<u>308</u>	<u>2,545</u>	<u>107,056</u>
Inherited	—	284	—	284
Financed by capital grant	112,345	—	1,451	113,796
Other	50,953	—	997	51,950
Net Book Value				
At 31 July 2001	<u>163,298</u>	<u>284</u>	<u>2,448</u>	<u>166,030</u>

a) The total cost of land and buildings is mainly attributable to the development or purchase of property for teaching, research or accommodation purposes.

NOTES TO THE ACCOUNTS

- b) Freehold land and buildings with a net book value of £112.3m have been financed, in whole or in part, by exchequer funds. Should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the conditions given its Financial Memorandum with the Higher Education Funding Council for England.
- c) At 31 July 2001 freehold land and buildings included £6.6m in respect of buildings under construction.
- d) During the year five small off-campus residences were sold. The proceeds will be reinvested in on-campus student residences developments.

University	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000	£'000	£'000
Valuation/Cost				
At 1 August 2000				
Valuation	102,900	—	—	102,900
Cost	7,125	474	5,149	12,748
Additions	4,189	—	1,454	5,643
Disposals	(714)	—	—	(714)
Surplus on revaluation	45,675	—	—	45,675
At 31 July 2001				
Valuation	159,175	—	—	159,175
Cost	—	474	6,603	7,077
	159,175	474	6,603	166,252
Depreciation				
At 1 August 2000	7,221	166	2,604	9,991
Charge for the Year	2,449	24	1,551	4,024
Eliminated on disposals	(42)	—	—	(42)
Surplus on revaluation	(9,628)	—	—	(9,628)
At 31 July 2001	—	190	4,155	4,345
Net Book Value				
At 31 July 2001	159,175	284	2,448	161,907
At 1 August 2000	102,804	308	2,545	105,657

NOTES TO THE ACCOUNTS

NOTE 10A LAND AND BUILDINGS

Additions in Year	2001 £'000	2000 £'000
Provision of student residences		
Residences redevelopment scheme (Birks and Duryard)	300	—
Other capital works	—	173
Academic building developments		
Amory extension (sediment research)	106	—
Chemistry laboratories upgrade	702	—
Harrison building (Computer Science)	239	—
Harrison building (new clean room)	137	—
Lecture theatres	354	—
Peninsula Medical School	311	—
Queens building	96	—
School of Arab and Islamic Studies	2,066	278
Washington Singer laboratories annex refurbishment	370	—
Works in consequence of academic restructuring	92	999
Others	59	116
Student facilities		
Sports facilities	2,044	1,200
Conference facilities		
Crossmead Conference Centre improvements	13	339
Others	24	—
	<u>6,913</u>	<u>3,105</u>
Funding Details		
Specific and general reserves	2,212	1,102
Application of HEFCE grants	2,213	—
External contributions/grants	2,095	278
External loans, reserves and working balances	393	1,725
	<u>6,913</u>	<u>3,105</u>

See Note 28 for details of capital commitments and expenditure temporarily financed.



NOTES TO THE ACCOUNTS

NOTE 10B LAND AND BUILDINGS

	Tenure	Main Use
Streatham Campus	Freehold	Academic Administration Sport and recreation Social Residential
St Luke's Campus	Freehold	Academic Administration Sport and recreation Social Residential
Camborne School of Mines - Campus	Long Leasehold	Academic Administration Sport and recreation Social
Camborne School of Mines - Mines	Long Leasehold	Academic
Birks Halls	Freehold	Residential
Bonhay House	Freehold	Residential
Brunel Close and Kingdom Mews	Freehold	Residential
Crossmead	Freehold	Conference centre
Chagford, Lydford and Widecombe (St. Germans)	Freehold	Residential
Duckes Meadow	Freehold	Sport and recreation
Duryard Halls	Freehold	Residential
Elizabethan	Freehold	Residential
Elmbrook	Freehold	Residential
Exeter Road, Topsham	Freehold	Sport and recreation
Gras Lawn	Freehold	Sport and recreation
Garden Hill House	Freehold	Residential
Hayne Corfe (Cornwall)	Freehold	Academic
King Edward Court	Freehold	Residential
Mallison House	Freehold	Residential
Pantiles	Freehold	Residential
Rowancroft (House, Court & Mews)	Freehold	Residential
James Owen Court (Sidwell Street)	Freehold	Residential
Thomas Hall	Freehold	Residential
Thornlea	Freehold	Academic
Triangle	Freehold	Residential
Other land and property in and around Exeter	Freehold	Various (mainly residential)
Other land and property in and around Camborne	Leasehold	Various

The assets listed above represent the main elements of the University's estate. The capital expenditure incurred in respect of these assets is included in the Balance Sheet.

NOTES TO THE ACCOUNTS

NOTE 11 INVESTMENTS

	Group		University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fine art collection	300	—	300	—
Investment in quoted stock	959	1,087	959	1,087
Investment in long term deposit	708	524	708	524
Investment in subsidiary companies	—	—	2,060	2,060
Investment in other unlisted companies	39	39	39	39
	<u>2,006</u>	<u>1,650</u>	<u>4,066</u>	<u>3,710</u>
Less: Provision for reduction in value of Exeter Enterprises shares	—	—	(60)	(60)
	<u>2,006</u>	<u>1,650</u>	<u>4,006</u>	<u>3,650</u>

The University's fine art collections of paintings, furniture, silverware and ceramics were professionally valued during the year by Messrs. Bearne's, Auctioneers and Valuers of Fine Art, on an open market value basis and for insurance purposes. The open market values have been included in the financial statements for the first time this year and comprise:

	£'000
Paintings	201
Furniture	89
Silverware and ceramics	10
	<u>300</u>

The investments in subsidiary companies shares comprises the following:

Dartvale Ltd.
2,000,002 Ordinary £1 Shares fully paid (at cost)
Exeter Development Capital Limited
2 Ordinary £1 Shares fully paid (at cost)
Exeter Enterprises Ltd
60,110 Ordinary £1 Shares fully paid (at cost)

The investment in other unlisted shares comprises the following investments:

Update Software Ltd
5 Ordinary £1 Shares fully paid (at cost)

NOTES TO THE ACCOUNTS

CVCP Properties Plc	37,355 Ordinary £1 Shares fully paid (at cost)
CSM (WA) Ltd	1,750 Ordinary £1 Shares fully paid (at cost)

The market value of long term investments excludes these unlisted shares.

The University holds the entire ordinary share capital of Dartvale Limited, Exeter Development Capital Limited and Exeter Enterprises Limited. The results of Exeter Enterprises Limited have not been consolidated with those of the University on the grounds that they are not material to the University results.

NOTE 12 ENDOWMENT ASSET INVESTMENTS - Group and University

	2001	2000
	£'000	£'000
Balance brought forward	11,211	10,680
Additions	433	446
Disposals	(528)	(503)
(Depreciation)/appreciation on disposals/revaluation	(796)	588
	<u>10,320</u>	<u>11,211</u>
The investments comprise:		
Fixed interest stocks	1,986	1,095
Equities	7,341	8,755
Bank balances	993	1,361
	<u>10,320</u>	<u>11,211</u>

NOTE 13 DEBTORS

	Group		University	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Debtors	3,581	3,966	3,505	3,869
Amounts owed by group undertakings:				
Subsidiary companies	—	—	5	868
Prepayments and accrued income	3,056	2,873	3,051	2,868
	<u>6,637</u>	<u>6,839</u>	<u>6,561</u>	<u>7,605</u>

NOTES TO THE ACCOUNTS

NOTE 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank loans and overdrafts	744	415	719	415
Payments received in advance	133	127	133	127
Trade creditors	7,130	5,417	7,119	4,974
Amounts owed to group undertakings:				
Subsidiary companies	—	—	207	1,718
Corporation tax	4	4	—	—
Other taxation and social security	1,385	1,256	1,380	1,255
Accruals and deferred income	4,734	4,632	4,734	4,631
	<u>14,130</u>	<u>11,851</u>	<u>14,292</u>	<u>13,120</u>

NOTE 15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank loans	24,279	24,353	24,279	24,353
Inherited Liability - Cornwall County Council	88	140	88	140
Other long term creditors	1,741	2,013	1,741	2,013
	<u>26,108</u>	<u>26,506</u>	<u>26,108</u>	<u>26,506</u>

NOTE 16 BORROWINGS

a) Bank loans and overdrafts

	Group		University	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	1,051	444	1,026	444
In one to two years	463	379	463	379
In two to five years	1,125	1,112	1,125	1,112
In five years or more	22,384	22,786	22,384	22,786
Total	<u>25,023</u>	<u>24,721</u>	<u>24,998</u>	<u>24,721</u>

b) Finance Leases

The University is not committed to any finance lease obligations.



NOTES TO THE ACCOUNTS

NOTE 17 DEFERRED CAPITAL GRANTS - Group and University

	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2000			
Land and buildings	9,756	—	9,756
Equipment	117	1,806	1,923
	<u>9,873</u>	<u>1,806</u>	<u>11,679</u>
Cash Received			
Land and buildings	—	2,375	2,375
Equipment	—	735	735
	<u>—</u>	<u>3,110</u>	<u>3,110</u>
Released to Income and Expenditure Account			
Land and buildings	(350)	—	(350)
Equipment	(45)	(1,162)	(1,207)
	<u>(395)</u>	<u>(1,162)</u>	<u>(1,557)</u>
At 31 July 2001			
Land and buildings	9,406	2,375	11,781
Equipment	72	1,379	1,451
	<u>9,478</u>	<u>3,754</u>	<u>13,232</u>

NOTE 18 ENDOWMENTS - Group and University Specific Endowments

	2001 £'000	2000 £'000
At 1 August 2000		
Additions	63	102
(Depreciation)/appreciation of endowment asset investments	(796)	588
Income for the year	370	344
Transferred to income and expenditure account	(528)	(503)
	<u>10,320</u>	<u>11,211</u>
At 31 July 2001		
Representing:		
Trustee Securities Pool	2,065	2,504
Institute for Arab and Islamic Studies	8,255	8,708
Other	—	(1)
	<u>10,320</u>	<u>11,211</u>

Additions are new endowments. Income for the year includes investment interest, dividends received and profit on the sale of investments.

NOTES TO THE ACCOUNTS

NOTE 19 REVALUATION RESERVE

Group and University	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
At 1 August 2000	48,068	601	48,669
Revaluation in the year	55,304	171	55,475
Transfer from revaluation reserve to general reserve in respect of:			
Disposals	(602)	—	(602)
Depreciation on re-valued assets	(730)	—	(730)
At 31 July 2001	102,040	772	102,812

The Revaluation Reserve relates to the revaluation of freehold land and buildings and fixed asset investments.

The movement in the year comprises:

Freehold land and buildings	55,304	—	55,304
Other quoted investments	—	(129)	(129)
Fine art collections	—	300	300
	55,304	171	55,475

NOTE 20 RESERVES

Group	Capital £'000	Committed Balances £'000	Residences Equalisation £'000	Other Specific £'000	General £'000	Total £'000
Balance at 1 August 2000	11,325	10,341	(3,336)	5,481	4,340	28,151
Surplus for the year	—	—	—	—	674	674
Transfers:						
Revaluation reserve	—	—	—	—	1,332	1,332
Others	1,267	(85)	193	(162)	(1,213)	—
Balance at 31 July 2001	12,592	10,256	(3,143)	5,319	5,133	30,157
University	Capital £'000	Committed Balances £'000	Residences Equalisation £'000	Other Specific £'000	General £'000	Total £'000
Balance at 1 August 2000	11,325	10,341	(3,336)	5,481	4,236	28,047
Surplus for the year	—	—	—	—	775	775
Transfers:						
Revaluation reserve	—	—	—	—	1,332	1,332
Others	1,267	(85)	193	(162)	(1,213)	—
Balance at 31 July 2001	12,592	10,256	(3,143)	5,319	5,130	30,154

NOTES TO THE ACCOUNTS

NOTE 21 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	£'000	£'000
Surplus before tax on continuing operations after		
Depreciation of assets at valuation	674	5,163
Depreciation	4,024	3,735
Deferred capital grants released to income (note 1,3 and 4)	(1,557)	(1,503)
Endowment and investment income (note 5)	(1,415)	(1,093)
Profit on disposal of tangible fixed assets	(740)	(2,956)
Interest payable (note 8)	1,967	2,119
(Increase) in stock	(81)	(35)
Decrease/(increase) in debtors	201	(345)
Increase/(decrease) in creditors	1,978	(865)
	5,051	4,220

NOTE 22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2001	2000
	£'000	£'000
Income from endowments	370	344
Income from short term investments	857	543
Other interest received	32	45
Interest paid	(1,970)	(2,094)
	(711)	(1,162)

NOTE 23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2001	2000
	£'000	£'000
Purchase of tangible assets	(8,367)	(6,220)
Payments to acquire long term investments	(184)	(166)
Payments to acquire endowment asset investments	(743)	(707)
Sales of tangible fixed assets	1,412	4,662
Receipts from the sale of endowment assets	528	503
Deferred capital grants received	3,110	2,447
Endowments received	63	102
	(4,181)	621

NOTES TO THE ACCOUNTS

NOTE 24 MANAGEMENT OF LIQUID RESOURCES

	2001	2000
	£'000	£'000
Sale of investments	—	—
Withdrawals from deposits	—	—
	<hr/>	<hr/>
Net cashflow from management of liquid resources	—	—
	<hr/>	<hr/>

NOTE 25 FINANCING

	2001	2000
	£'000	£'000
Debt due beyond a year:		
New secured loan repayable by 2016	234	230
New secured loan repayable by 2025	—	1,250
Repayment of amounts borrowed	(632)	(1,055)
	<hr/>	<hr/>
Net cash (outflow)/inflow from financing	(398)	425
	<hr/>	<hr/>

NOTE 26 ANALYSIS OF CHANGES IN NET DEBT

	At	Cash	Other	At
	1 August	Flows	Changes	31 July
	2000			2001
	£'000	£'000	£'000	£'000
Cash in hand and at bank	10,533	374	—	10,907
Endowment asset investments	(1)	(310)	—	(311)
Overdrafts	(87)	(303)	—	(390)
	<hr/>	<hr/>	<hr/>	<hr/>
	10,445	(239)	—	10,206
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within 1 year	(1,097)	46	—	(1,051)
Debt due after 1 year	(26,506)	—	398	(26,108)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(17,158)	(193)	398	(16,953)
	<hr/>	<hr/>	<hr/>	<hr/>

NOTE 27 PENSION SCHEMES

The two principal schemes for the University's staff are the national Universities Superannuation Scheme (USS) and the University of Exeter Retirement Benefits Scheme (ERBS), which are externally invested defined benefit (final salary) schemes, contracted out of the State Earnings-Related Pension Scheme (SERPS). The assets of the schemes are held in separate trustee-administered funds.

The University also makes contributions to the National Health Superannuation Scheme (NHSS) in respect of a small number of staff at its School of Sport & Health Sciences and the Peninsula Medical School.

NOTES TO THE ACCOUNTS

The latest actuarial valuation for USS was at 31 March 1999 and for ERBS was 6 April 2000. The pension costs for both schemes are assessed using the projected unit method. The assumptions and other data, which have the most significant effect on the determination of the contribution levels, are as follows:

	USS	ERBS
	31 March 1999	6 April 2000
Past Service Liabilities		
Valuation rate of interest per annum	4.5%	4.8%
Salary increases per annum	3.6%	4.3%
Pension increases per annum	2.6%	2.8%
Future Service Liabilities		
Valuation rate of interest per annum	5.5%	6.8%
Salary increases per annum	3.5%	4.3%
Pension increases per annum	2.5%	2.8%
Market value of assets at date of last valuation	£18,870m	£58m
Value of past service liabilities	£17,427m	£53m
Proportion of members' accrued benefits covered by the actuarial value of the assets	108%	109%

(i) USS

The University participates in the Universities Superannuation Scheme, a defined benefit scheme that is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16.3% of salaries but it was agreed that the institution contribution rate would be maintained at 14% of salaries. To fund the reduction of 2.3% for the period of 11 years from the valuation (the average outstanding working lifetime of current members of the Scheme) required the use of £561 million of the surplus. It was also agreed, following the valuation, that £201 million of the surplus would be used to fund certain benefit improvements. This left a post service surplus of £681 million (including the Supplementary Section) to be carried forward.

NOTES TO THE ACCOUNTS

Surpluses or deficits that arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2002 when the above rates will be reviewed.

The total pension cost for the institution was £3,658,000 (2000: £3,296,000). The contribution rate was 14% of pensionable salaries.

(ii) ERBS

The latest actuarial valuation (6 April 2000) showed that the funds held by the Trustees continued to be more than sufficient to meet anticipated future commitments. A part of the surplus was applied to increase benefits to staff and the balance used for an extension of the nil contribution rate from the University. The Actuary updated the figures as at 31 July 2001 using similar assumptions; measured in accordance with Financial Reporting Standard (FRS 17) the update revealed that:

The assets in the scheme were:

	£m
Equities	39.4
Bonds	8.8
Property	2.1
Cash/Other	1.6
	<hr/> 51.9 <hr/>
	£m
Total market value of assets	51.9
Value of Scheme liabilities	39.9
	<hr/> 12.0 <hr/>
Surplus in the Scheme – net pension asset	12.0

If the above amounts had been recognised in the financial statements, the University's net assets and profit and loss reserve at 31 July 2001 would be as follows:

	£m
Net assets excluding pension asset	156.5
Pension asset	12.0
	<hr/> 168.5 <hr/>
Net assets including pension assets	168.5
	£m
Profit and loss reserve excluding pension asset	30.2
Pension reserve	12.0
	<hr/> 42.2 <hr/>
Profit and loss reserve	42.2

NOTES TO THE ACCOUNTS

(iii) Pension Cost

The total pension cost for the University was:

	2000/01	1999/2000
	£'000	£'000
Contributions to USS - regular cost	3,658	3,241
Contributions to ERBS	—	—
Contributions to other pension schemes	39	26
Supplementary pension costs	64	82
Early retirement pension enhancement costs	440	(53)
	4,201	3,296

NOTE 28 CAPITAL COMMITMENTS - Group and University

	2001	2000
	£'000	£'000
Commitments contracted at 31 July 2001	4,100	3,822
Authorised but not contracted at 31 July 2001	41,537	246
	45,637	4,068

During the year expenditure was incurred on academic buildings, student accommodation, conference facilities and student amenity buildings. An element of the expenditure on these facilities has been funded temporarily out of working balances and external loans as follows:

	2001	2000
	£'000	£'000
Academic buildings	91	1,016
Student accommodation and conference facilities	302	171
Amenity buildings	—	538
	393	1,725

At 31 July 2001 total consolidated capital expenditure temporarily funded amounted to £35.9m.

NOTE 29 CONTINGENT LIABILITIES

Included in "Note 15 Creditors: Amounts Due After More Than One Year" is a loan of £11,460,000 from a wholly owned subsidiary company of the University, Exeter Development Capital Limited. Exeter Development Capital Limited issued £11,460,000 Accreting Preference Shares to a subsidiary of Nat West Bank plc on 28 February 1997.

Under Financial Reporting Standard 4, the preference shares issued by Exeter Development Capital Limited are being accounted for as a long-term loan in the consolidated accounts.



NOTES TO THE ACCOUNTS

An obligation exists in the form of a put/call option exercisable by either the University or Nat West Bank plc to redeem the preference shares under certain circumstances, prior to the redemption date. In such a case, the University would be required to pay an additional premium on redemption.

The University has additional facilities in order to meet the liability should it arise prior to the redemption date, but considers the likelihood of the option being exercised as remote.

NOTE 30

Due to the nature of the University's operations and the composition of the University Council (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

Appendix 1: ACCESS FUNDS

Summary of Transactions for the year ended 31 July 2001

	2001	2000
	£'000	£'000
Balance Unspent at 1 August 2000	64	9
Funding Council Grants	557	488
Other Sources	—	14
Interest Earned	13	9
	<hr/>	<hr/>
	634	520
Disbursed to Students	(480)	(456)
Audit Fees	—	—
	<hr/>	<hr/>
Balance Unspent at 31 July 2001	154	64
	<hr/>	<hr/>

Funding Council grants are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Appendix 2: PENINSULA MEDICAL SCHOOL

INCOME AND EXPENDITURE ACCOUNT - for the period ended 31 July 2001

INCOME	Notes	University of Exeter £'000	University of Plymouth £'000	Total £'000
Funding Council Grants				
HEFCE Medical Capital Grant	(iii)	233	441	674
Other income		—	10	10
Endowment and Investment Income				
Interest earned		28	—	28
		<hr/>	<hr/>	<hr/>
Total income		261	451	712
		<hr/>	<hr/>	<hr/>
EXPENDITURE				
Staff costs		216	203	419
Other operating expenses				
Equipment, fixtures and fittings		4	64	68
Marketing		—	29	29
Professional fees		2	45	47
Recruitment		17	20	37
Travel and subsistence		16	26	42
		<hr/>	<hr/>	<hr/>
		255	387	642
Other expenses		6	64	70
		<hr/>	<hr/>	<hr/>
Total expenditure		261	451	712
		<hr/>	<hr/>	<hr/>
Surplus on continuing operations		0	0	0
		<hr/>	<hr/>	<hr/>

APPENDICES

BALANCE SHEET of the Community Chest as at 31 July 2001

	Notes	£'000
Current Assets		
Cash at bank and in hand	(iv)	944
Current Liabilities		
Due to partner universities		702
Deferred income	(iii)	242
		944
Net Current Assets		0

Explanatory Notes

(i) Background

The Peninsula Medical School (PMS) is not a legal entity in its own right. It is a joint arrangement entered into in partnership by the University of Exeter and the University of Plymouth. PMS, in turn, has partnership arrangements with three NHS Trusts (The Royal Devon and Exeter Healthcare NHS Trust, Plymouth Hospitals NHS Trust and Royal Cornwall Hospitals NHS Trust) and further arrangements with healthcare providers throughout the South West peninsula.

Under the administrative arrangements for the School it has been agreed that whilst the accounts of each University will formally incorporate only part of PMS activities, each will carry an identical note which sets out the total financial position of PMS. All income received in respect of PMS by each university is to be transferred to a "community chest", managed initially by the University of Exeter. Expenditure incurred by each university on behalf of PMS is reimbursed from the "community chest".

In the period to 31 July 2001 the School was preparing to receive its first cohort of 127 Students in October 2002 and was funded solely by a "Medical Capital" grant from the Higher Education Funding Council for England.

(ii) Audit Arrangements

The income and expenditure relating to the University of Exeter is included within the Income and Expenditure Account of the University of Exeter. The Balance Sheet of the Community Chest is also held within the accounts of the University of Exeter. These transactions are part of its audited financial statements for the year ended 31 July 2001. The income and expenditure relating to the University of Plymouth is included within the Income and Expenditure Account of the University of Plymouth, which forms part of its audited financial statements for the year ended 31 July 2001.

(iii) HEFCE Funding Council Grant	£'000
Medical Capital Grant Received	916
Transferred to Deferred Income	(242)
	674
Transferred to Income and Expenditure Account	674

(iv) Cash at Bank and In Hand

The balance of £944,000 was held for management at 31 July 2001 by the University of Exeter pending settlement of the claims for reimbursement of expenditure incurred to that date by each University.