

UNIVERSITY  
*of*  
EXETER

FINANCIAL  
STATEMENTS  
2001/2002



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## REPORT OF THE TREASURER

### SCOPE OF THE FINANCIAL STATEMENTS

The Financial Statements for the financial year to 31 July 2002 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. During the year the University acquired a 50% shareholding in Tremough Development Vehicle Ltd. (TDV). It was incorporated in February 2002 as a joint venture company limited by shares, between the University and Falmouth College of Arts to develop the first phase of buildings (under the Combined Universities in Cornwall initiative) at the Tremough campus and to operate the site from 2004 when completion of Phase 1 is planned.

The Financial Statements also include the University's 50% share of income and expenditure arising from the activities of the Peninsula Medical School, which is constituted as a partnership arrangement between the University of Exeter and the University of Plymouth. This

higher education partnership has arrangements with the three principal NHS Trusts in the South-West peninsula who will deliver clinical training. All of the income received by the universities is remitted to a Community Chest from which expenditure (processed by either university on behalf of the School) is reimbursed. The Income and Expenditure Account and Balance Sheet of the Community Chest are reported as an Appendix 2 to the Financial Statements on pages 37 to 39. The Higher Education Funding Council is separately funding each university to build academic facilities in order to accommodate the School's teaching and research activities.

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 8.2% compared with the previous year. Part of the increase was attributable to the receipt of additional specific grants from the Funding Council in the year including funds in support of the new HR Strategy and grants towards the development of the Peninsula Medical School. Student numbers for 2001/02 amounted to 10,161 full time equivalents (2000/01: 9,606) giving

### RESULTS FOR THE YEAR - INCOME AND EXPENDITURE ACCOUNT

The University's consolidated Income and Expenditure Account reveals results for the year to 31 July 2002 as follows:

	<b>2001/02</b>	<b>2000/2001</b>
	<b>£'000</b>	<b>£'000</b>
Income	96,203	88,877
Expenditure	(96,430)	(88,943)
Gain on Disposal of Assets	—	740
(Deficit/Surplus after Depreciation of Assets at Valuation and Taxation	<u>(227)</u>	<u>674</u>
Historical Cost Surplus	<u>2,144</u>	<u>2,006</u>



## REPORT OF THE TREASURER

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rise to year-on-year increases in income from full-time students of 6.4% and from international students of 14%. Income from research grants and contracts increased by 5.3% to £12.3m, reflecting a general increase in activity. Revenue from residences, catering and conferences again increased well beyond the level of inflation reflecting strong performances in the management of occupancies in the student residences, the provision of retail services and the management of conferences and retail functions. Income from other services rendered increased by over 40% as a result of the University's success in attracting European Social Fund grants, whilst other income also increased by 23% to £6.1m representing further significant progress in the University's aim to diversify income sources.

Expenditure, excluding depreciation, increased by 6.4% over 2000/01. The main recurrent increases resulted from the recruitment of additional staff and the effects of annual pay awards, which continued to exceed the Government's allowance in the HEFCE grant settlement. The deficit for the year was £227k but the historical surplus (after adjusting for the difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the re-valued amount) was £2.1m (2000/01: £2.0m).

This is the tenth year that the University has benefited from the cessation of the employer's contributions to the University of Exeter Retirement Benefits Scheme (ERBS). However, an in-year interim valuation of the scheme in 2002 showed that the funds held were insufficient to meet anticipated future commitments; this position had arisen as a result of the downturn in investment performance, which is affecting most pension schemes. The University agreed to reintroduce employer's contributions with effect from 1 August 2002 in order to fund the projected income shortfall at a contribution rate of 6.0%, as advised by the Scheme Actuary. The financial position of the Scheme will be reviewed once again following a full actuarial valuation in 2003. (Full details of the pension schemes operated by the University are given in Note 27 to the Financial Statements in accordance with the disclosure requirements of FRS17)

### RESULTS FOR THE YEAR - BALANCE SHEET

The Balance Sheet at 31 July 2002 includes expenditure in the year on land and buildings totalling £11.9m. This includes expenditure of £3.4m in respect of new academic buildings for the Peninsula Medical School, £2.5m for a specialist facility for sedimentary research, £2.2m for improvements to buildings housing computer science and £1.1m in respect of new and improved sports facilities. Authorised and contracted capital commitments at the year-end amounted to £7.8m whilst those authorised but not contracted amounted to £76.5m. The high level of capital commitments reflects a significant on-going capital development programme. This includes a scheme, costing in excess of £33m, to redevelop and extend student residences at and around the main campus at Exeter and the Combined Universities in Cornwall initiative to develop a new campus in Cornwall at Tremough near Falmouth. The authorised expenditure on academic buildings in Cornwall was £45m at 31 July 2002. Since that date approval has been given for further expenditure of £18m to build student residences on the site.

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 £10.3m to £9.0m. A full breakdown of the changes is given in Note 12.

At 31 July 2002 the University had a consolidated income and expenditure account reserve of £32.3m (2001: £30.2m).

### CASHFLOW

The University's consolidated holding of cash at bank and in hand remained static during the year at £10.9m. An operating cash inflow of £5.2m (2000/01: £5.1m) was adequate to fund cash outflows arising on capital investment and financial investment activities and the negative cashflow from the returns on investments and



## REPORT OF THE TREASURER

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servicing of finance. Net debt over the year to 31 July 2002 increased by £0.2m.

### CONCLUSION

The financial statements for 2001/02 demonstrate that the University continues to face difficult challenges as national funding to higher education institutions continues to decline in real terms, competition to generate funds from other sources increases and investment performances show little sign of recovery. The University is, however, committed to developing further external funding from a wide variety of sources and at the same time to increase income from core activities of teaching and research whilst maintaining overall quality of performance.

During 2000/01 the University reviewed its medium to long term strategy with a view to reconsidering its overall direction. It decided to focus on its strengths, which is resulting in some consolidation of academic activity and on the furtherance of partnership arrangements of which the Peninsula Medical School and the Combined Universities in Cornwall continue to be priorities. It has also decided to continue to reduce its dependence on central funding by promoting initiatives within both the academic and non-academic sectors that produce external income. Significant concentration has been directed towards risk management in the year in order that the University can better focus on areas of potential exposure and be better informed of the various elements of risk as it increases its activities in the mixed economy.

The University continues to proceed with confidence to achieve its overall objectives in the knowledge that progress towards greater financial self-reliance is being carefully managed and monitored.

G A STURTRIDGE  
TREASURER

November 2002



## CORPORATE GOVERNANCE STATEMENT

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The following statement is provided to enable readers of the Financial Statements 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 Financial Statements 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).

In respect of its strategic and development responsibilities Council receives recommendations and advice from the Planning and Resources Committee. The



## CORPORATE GOVERNANCE STATEMENT

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Finance Committee recommends to Council the University's annual revenue budget and monitors performance in relation to the approved budget.

The Audit Committee meets three times a year with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's system of internal control and management's responses and associated implementation plans; additionally the Committee monitors adherence to external regulatory requirements.

Whilst senior officers of the University attend meetings of the Audit Committee as necessary, they are not members of the Committee. At least once a year the Audit Committee will meet with internal and external auditors on their own for independent discussions.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence on the development of 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 to whom any enquiries about the constitution and governance of the University should be addressed.

The University is committed to exhibiting best practice in all aspects of Corporate Governance in line with the principles set out in Section 2 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. The Council of the University is responsible for the University's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statement or loss.

The Council of the University is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the period from mid July 2002 up to the date of approval of the annual report and accounts. The process is to be regularly reviewed by Council and accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education. The Council of the University is unable to state that the process has been in place for the first eleven months of the year as this period was needed to put in place the procedures which Council agreed should be established.

The work of the internal audit service is now informed by an analysis of the risks to which the University is exposed and future internal audit plans will be based upon this analysis. The Council of the University endorses internal audit plans on the recommendations of the Audit Committee. At least annually the internal audit service provides the Audit Committee with a report on internal audit activity in the University. The report includes an independent opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

The 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 senior managers within the University who have the responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports. The University currently contracts out the internal audit function to Deloitte & Touche.



## RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY

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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.
- Ensure that the key principles of effective risk management have been applied in line with the requirements of HEFCE's Accounts Direction.

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;





## RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY

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- Financial Regulations supplemented by a comprehensive Financial Handbook, detailing financial controls and procedures, which is updated on an annual basis;
- 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 2002 and will provide the service during 2002/03 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

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

We have audited the University's financing statements, which comprise the Consolidated Income and Expenditure Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Cash Flow Statement and related notes 1 to 31. The financial statements have been prepared on the basis of the accounting policies set out therein.

### RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As described in the statement of Council Members Responsibilities, 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 AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 2002, 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

16 December 2002

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Southernhay West  
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**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
– for the Year ended 31 July 2002

<b>INCOME</b>	<b>Note</b>	<b>2001/02 £'000</b>	<b>2000/01 £'000</b>
Funding Council grants	1	36,799	34,006
Tuition fees and education contracts	2	20,053	18,618
Research grants and contracts	3	12,311	11,647
Other income (including share of joint venture)	4	25,821	23,191
Endowment and investment income	5	1,222	1,415
<b>Total income</b>		<u>96,206</u>	<u>88,877</u>
Less: Share of income from joint venture		(3)	—
<b>Net Income</b>		<u>96,203</u>	<u>88,877</u>
<b>EXPENDITURE</b>			
Staff costs	6	53,240	49,760
Other operating expenses	7	35,202	33,192
Depreciation	7	6,049	4,024
Interest payable	8	1,939	1,967
<b>Total expenditure</b>		<u>96,430</u>	<u>88,943</u>
Group operating deficit on continuing operations		(227)	(66)
Share of operating profit in joint venture		—	—
Deficit on continuing operations after depreciation of fixed assets at valuation and before tax		<u>(227)</u>	<u>(66)</u>
Gain on disposal of assets	10	—	740
<b>(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and after tax</b>	9	<u>(227)</u>	<u>674</u>

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

CONSOLIDATED STATEMENT OF HISTORICAL COST  
SURPLUSES – for the Year ended 31 July 2002

	Note	2001/02 £'000	2000/01 £'000
(Deficit)/surplus on continuing operations before taxation		(227)	674
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	19	2,371	730
Realisation of property revaluation gains of previous years		—	602
<b>Historical cost surplus for the year before taxation</b>		<u>2,144</u>	<u>2,006</u>
<b>Historical cost surplus for the year after taxation</b>		<u>2,144</u>	<u>2,006</u>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED  
GAINS AND LOSSES – for the Year ended 31 July 2002

	Note	2001/02 £'000	2000/01 £'000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(227)	674
Depreciation of endowment asset investments	18	(1,884)	(796)
Endowment income (dispersed) for the year	18	(214)	(158)
New endowments	18	759	63
Revaluation surplus on fixed asset investments	19	1,767	171
Revaluation surplus on land and buildings		—	55,304
<b>Total recognised gains relating to the year</b>		<u>201</u>	<u>55,258</u>

**Reconciliation**

	£'000	£'000
Opening reserves and endowments	143,289	88,031
Total recognised gains for the year	<u>201</u>	<u>55,258</u>
Closing reserves and endowments	<u>143,490</u>	<u>143,289</u>



BALANCE SHEETS AS AT 31 JULY 2002

	Note	Group		University	
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
<b>Fixed assets</b>					
Tangible assets	10	172,883	166,030	172,069	161,907
Investments	11	4,381	2,006	6,381	4,006
Investment Assets – Joint Ventures	11				
Share of gross assets		448	—	—	—
Share of gross liabilities		(448)	—	—	—
		<u>177,264</u>	<u>168,036</u>	<u>178,450</u>	<u>165,913</u>
<b>Endowment assets</b>	12	<u>8,981</u>	<u>10,320</u>	<u>8,981</u>	<u>10,320</u>
<b>Current assets</b>					
Stock		914	859	914	859
Debtors	13	8,453	6,637	11,363	6,561
Cash at bank and in hand		10,861	10,907	10,850	10,890
		<u>20,228</u>	<u>18,403</u>	<u>23,127</u>	<u>18,310</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(16,212)</u>	<u>(14,130)</u>	<u>(16,445)</u>	<u>(14,292)</u>
<b>Net current assets</b>		<u>4,016</u>	<u>4,273</u>	<u>6,682</u>	<u>4,018</u>
<b>Total assets less current liabilities</b>		190,261	182,629	194,113	180,251
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(26,376)</u>	<u>(26,108)</u>	<u>(30,272)</u>	<u>(26,108)</u>
<b>Net assets</b>		<u>163,885</u>	<u>156,521</u>	<u>163,841</u>	<u>154,143</u>
<b>Deferred capital grants</b>	17	20,395	13,232	20,395	10,857
<b>Specific endowments</b>	18	8,981	10,320	8,981	10,320
<b>Reserves</b>					
Revaluation reserve	19	102,208	102,812	102,208	102,812
Income and expenditure reserve	20	32,301	30,157	32,257	30,154
Total reserves		<u>134,509</u>	<u>132,969</u>	<u>134,465</u>	<u>132,966</u>
<b>Total</b>		<u>163,885</u>	<u>156,521</u>	<u>163,841</u>	<u>154,143</u>

The financial statements on pages 9 to 39 were approved by the Council on 16 December 2002 and signed on its behalf by:

G A Sturtridge - *Treasurer*  
16 December 2002

Professor S Smith - *Vice-Chancellor*

Ian H C Powell - *Registrar & Secretary*


**CONSOLIDATED CASH FLOW STATEMENT**  
 - for the Year ended 31 July 2002

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	<b>Note</b>	<b>2001/02 £'000</b>	<b>2000/01 £'000</b>
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	21	5,177	5,051
Returns on investments and servicing of finance	22	(933)	(711)
Taxation		—	—
Capital expenditure and financial investment	23	(3,747)	(4,181)
Management of liquid resources	24	—	—
Financing	25	(413)	(398)
Net movement in cash		<u>84</u>	<u>(239)</u>
 <b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
		<b>2001/02 £'000</b>	<b>2000/01 £'000</b>
Increase/(Decrease) in cash in the year		84	(239)
Cash inflow from new secured loans	25	(255)	(234)
Cash outflow from repayment of loans	25	668	632
Cash inflow from creditors due in more than one year	26	(681)	—
Cashflow from liquid resources	24	—	—
Change in net debt resulting from cash flows	26	<u>(10)</u>	<u>46</u>
Movement in net debt in the year		(194)	205
Net Debt at 1 August		<u>(16,953)</u>	<u>(17,158)</u>
<b>Net Debt at 31 July</b>	26	<u>(17,147)</u>	<u>(16,953)</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 2002, 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	247	23
Profit	39	33

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 2002 it made charitable disbursements to the University of £1.1m (2001: £1.1m) and had funds totalling £5.4m at that date (2001: £5.7m).

The 50% holding in the Tremough Development vehicle Ltd represents an interest on a long-term basis, which is jointly controlled with another party. As such the arrangement is treated as a joint venture and is accounted for using the gross equity method.

#### *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.



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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### *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 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.





## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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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.

### *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 FINANCIAL STATEMENTS

### NOTE 1 FUNDING COUNCIL GRANTS

	<b>HEFCE</b>	<b>2001/2002</b>		<b>2000/2001</b>
	<b>£'000</b>	<b>TTA</b>	<b>TOTAL</b>	<b>£'000</b>
Recurrent grant	30,575	2,519	33,094	32,544
Specific grants				
HEFCE				
Excellence Challenge	219		219	—
Joint Research Equipment Initiative	123		123	48
Rewarding and Developing Staff in HE	660		660	—
Institutional learning and teaching strategies	139		139	131
Medical capital	570		570	233
Reach-out to Business and the Community	300		300	300
Others	402		402	151
TTA				
Inset		287	287	—
Rewarding and Developing Staff in HE		63	63	—
Secondary subject shortage scheme		143	143	147
Partnership arrangements		30	30	34
Others		—	—	23
Deferred capital grants released in the year				
Buildings (note 17)	432		432	350
Equipment (note 17)	337		337	45
	<u>33,757</u>	<u>3,042</u>	<u>36,799</u>	<u>34,006</u>

### NOTE 2 TUITION FEES AND EDUCATION SUPPORT CONTRACTS

	<b>2001/02</b>	<b>2000/2001</b>
	<b>£'000</b>	<b>£'000</b>
Full-time students	10,708	10,060
Full-time students charged overseas fees	6,334	5,553
Part-time fees	937	929
Research training support grants	95	110
Short course fees	1,979	1,966
	<u>20,053</u>	<u>18,618</u>



## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 3 RESEARCH GRANTS AND CONTRACTS

	<b>2001/02</b>	<b>2000/2001</b>
	<b>£'000</b>	<b>£'000</b>
Research councils	4,794	3,977
UK based charities	2,565	2,422
European Commission	527	490
Other grants and contracts	3,464	3,620
Releases from deferred capital grants	961	1,138
	<hr/>	<hr/>
	12,311	11,647

### NOTE 4 OTHER INCOME

	<b>2001/02</b>	<b>2000/2001</b>
	<b>£'000</b>	<b>£'000</b>
Residences, catering and conferences	17,851	16,925
Other services rendered		
Validation fees	165	188
Conference, consultancies and other external income	1,701	1,113
Other income	6,104	4,965
	<hr/>	<hr/>
	25,821	23,191

### NOTE 5 ENDOWMENT AND INVESTMENT INCOME

	<b>2001/02</b>	<b>2000/2001</b>
	<b>£'000</b>	<b>£'000</b>
Transferred from specific endowments	534	525
Income from short term investments	638	858
Other interest received	27	3
Income from fixed asset investments	23	29
	<hr/>	<hr/>
	1,222	1,415

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6 STAFF COSTS

	<b>2001/02</b>	<b>2000/2001</b>
	<b>£'000</b>	<b>£'000</b>
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	538	558
Research	182	168
Academic services	83	64
Administrative	204	189
Technical	144	143
Clerical/secretarial	321	305
Manual and domestic	532	507
Occasional lecturers	100	86
Casual domestic etc.	35	41
	<hr/>	<hr/>
Totals	2,139	2,061
	<hr/>	<hr/>

### Staff costs for the above persons:

	<b>2001/02</b>	<b>2000/2001</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and wages	45,557	42,439
Social security costs	3,105	3,120
Other pension costs (Note 27)	4,578	4,201
	<hr/>	<hr/>
	53,240	49,760
	<hr/>	<hr/>

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

	£	£
Salary	143,129	132,065
Benefits in kind	1,474	1,725
	<hr/>	<hr/>
	144,603	133,790
	<hr/>	<hr/>
Pension contributions	26,550	24,498
	<hr/>	<hr/>
	171,153	158,288
	<hr/>	<hr/>

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.



## NOTES TO THE FINANCIAL STATEMENTS

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):

	<b>2001/02</b>		<b>2000/2001</b>	
	<i>Inclusive</i>	<i>Exclusive</i>	<i>Inclusive</i>	<i>Exclusive</i>
£50,000 - £59,999	31	31	47	47
£60,000 - £69,999	18	18	10	10
£70,000 - £79,999	1	1	—	—
£80,000 - £89,999	1	1	2	1
£90,000 - £99,999	3	2	—	—
£100,000 - £109,999	1	1	—	—
£110,000 - £119,999	0	0	1	—
£120,000 - £129,999	1	0	—	—
£130,000 - £139,999	0	0	1	—
£140,000 - £149,999	2	2	—	—

### NOTE 7 OTHER OPERATING EXPENSES

	<b>2001/02</b>	<b>2000/2001</b>
	<b>£'000</b>	<b>£'000</b>
Residences, catering and conferences	8,809	8,124
Laboratory equipment and consumables	2,322	2,118
Other equipment	3,261	2,570
Books and periodicals	1,599	1,466
Fellowships, scholarships and prizes	2,033	1,826
Heat, light, water and power	1,335	1,564
Repairs and general maintenance	1,778	1,226
Grants to the University of Exeter Guild of Students	547	496
Office/administrative costs	805	808
Rents	53	45
Auditor's remuneration	32	29
Auditor's remuneration in respect of non-audit services*	2	3
Other expenses	12,626	12,917
	<b>35,202</b>	<b>33,192</b>

\* In addition £24,000 was paid to the auditor for professional advice in connection with the Birks and Duryard capital project to redevelop student residences 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.

## NOTES TO THE FINANCIAL STATEMENTS

### ANALYSIS OF 2001/02 EXPENDITURE BY ACTIVITY

	Staff Costs £'000	Depre- ciation £'000	Other Operating Expenses £'000	Interest Payable £'000	Total Expenditure £'000
Academic schools	29,219	1,046	10,229	—	40,494
Academic services	3,307	190	2,869	—	6,366
Administration	4,824	—	3,798	—	8,622
Premises	3,614	1,904	3,573	195	9,286
Residences, catering and conferences	4,461	2,442	8,809	1,537	17,249
Research grants and contracts	5,531	453	4,221	—	10,205
Other expenses	2,284	14	1,703	207	4,208
<b>Total</b>	<b>53,240</b>	<b>6,049</b>	<b>35,202</b>	<b>1,939</b>	<b>96,430</b>

The depreciation charge has been funded by:

	<b>£'000</b>
Deferred capital grants released - buildings (note 17)	496
Deferred capital grants released - equipment (note 17)	1,312
Revaluation reserve released (note 19)	2,371
General income	1,870
	<u>6,049</u>

### NOTE 8 INTEREST PAYABLE

	2001/02 £'000	2000/2001 £'000
<b>On bank loans, overdrafts and other loans:</b>		
Repayable within 5 years, by instalments	223	194
Repayable wholly or in partly in more than 5 years	1,716	1,773
<b>Total</b>	<u>1,939</u>	<u>1,967</u>

### NOTE 9 (DEFICIT)/SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

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

	2001/02 £'000	2000/2001 £'000
University's (deficit)/surplus for the year	(268)	670
Surplus generated by the subsidiary undertakings and transferred to the University under a deed of covenant	41	4
<b>Total</b>	<u>(227)</u>	<u>674</u>



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10 TANGIBLE FIXED ASSETS

Group	Land and Buildings		Equipment	Total
	Freehold £'000	Long Leasehold £'000		
<b>Cost/Valuation</b>				
At 1 August 2001				
Valuation	159,175	—	—	159,175
Cost	4,123	474	6,603	11,200
	163,298	474	6,603	170,375
Additions	11,070	839	993	12,902
	174,368	1,313	7,596	183,277
At 31 July 2002				
Valuation	159,175	—	—	159,175
Cost	15,193	1,313	7,596	24,102
	174,368	1,313	7,596	183,277
<b>Depreciation</b>				
At 1 August 2001				
	—	190	4,155	4,345
Charge for the Year	4,301	44	1,704	6,049
	4,301	234	5,859	10,394
At 31 July 2002				
	4,301	234	5,859	10,394
<b>Net Book Value</b>				
At 31 July 2002				
	170,067	1,079	1,737	172,883
At 1 August 2001				
	163,298	284	2,448	166,030
Inherited	—	260	—	260
Financed by capital grant	120,301	819	1,011	122,131
Other	49,766	—	726	50,492
	170,067	1,079	1,737	172,883
<b>Net Book Value</b>				
<b>At 31 July 2002</b>				
	170,067	1,079	1,737	172,883

- a) The total cost of land and buildings is mainly attributable to the development or purchase of property for teaching, research or accommodation purposes.
- b) Freehold and leasehold land and buildings with a net book value of £117.0m 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.

## NOTES TO THE FINANCIAL STATEMENTS

c) At 31 July 2002 freehold and leasehold land and buildings included £7.1m in respect of buildings under construction.

University	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000	£'000	£'000
<b>Valuation/Cost</b>				
At 1 August 2001				
Valuation	159,175	—	—	159,175
Cost	—	474	6,603	7,077
Additions	14,379	839	993	16,211
At 31 July 2002				
Valuation	159,175	—	—	159,175
Cost	14,379	1,313	7,596	23,288
	<u>173,554</u>	<u>1,313</u>	<u>7,596</u>	<u>182,463</u>
<b>Depreciation</b>				
At 1 August 2001				
	—	190	4,155	4,345
Charge for the Year	4,301	44	1,704	6,049
At 31 July 2002				
	<u>4,301</u>	<u>234</u>	<u>5,859</u>	<u>10,394</u>
<b>Net Book Value</b>				
At 31 July 2002				
	<u>169,253</u>	<u>1,079</u>	<u>1,737</u>	<u>172,069</u>
At 1 August 2001				
	<u>159,175</u>	<u>284</u>	<u>2,448</u>	<u>161,907</u>



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10A LAND AND BUILDINGS

#### Additions in Year

	Group	
	2002 £'000	2001 £'000
Provision of student residences		
Residences redevelopment scheme	679	300
Academic building developments		
Amory extension (sediment research)	2,520	106
Biocatalysis Centre	291	—
Chemistry laboratories upgrade	59	702
Combined Universities in Cornwall Buildings at Tremough	839	—
Harrison building (Computer Science)	2,254	239
Peninsula Medical School	3,416	311
Queens Building	324	96
School of Arab and Islamic Studies	390	2,066
Works in consequence of academic restructuring	48	92
Others	2	920
Student facilities		
Sports facilities	1,076	2,044
Conference and Catering facilities	11	37
	11,909	6,913
<b>Funding Details</b>		
Specific and general reserves	1,110	2,212
Application of HEFCE grants	9,410	2,213
External contributions/grants	544	2,095
External loans, reserves and working balances	845	393
	11,909	6,913

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

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 10B LAND AND BUILDINGS

	<b>Tenure</b>	<b>Main Use</b>
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
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
Tremough (Combined Universities in Cornwall)	Long Leasehold	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 FINANCIAL STATEMENTS

### NOTE 11 INVESTMENTS

	Group		University	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Fine art collection	300	300	300	300
Library special collection	2,101	0	2,101	0
Investment in quoted stock	1,038	959	1,038	959
Investment in long term deposit	903	708	903	708
Investment in subsidiary companies	—	—	2,060	2,060
Investment in other unlisted companies	39	39	39	39
	<u>4,381</u>	<u>2,006</u>	<u>6,441</u>	<u>4,066</u>
Less: Provision for reduction in value of Exeter Enterprises shares	—	—	(60)	(60)
	<u>4,381</u>	<u>2,006</u>	<u>6,381</u>	<u>4,006</u>

The University's fine art collections of paintings, furniture, silverware and ceramics were professionally valued during the year ended 31 July 2001 by Messrs. Bearne's, Auctioneers and Valuers of Fine Art, on an open market value basis and for insurance purposes.

The University's special library collections were professionally valued during the year by Messrs Bonhams, Auctioneers and Valuers, on an open market value basis at £2.1m and the valuation has been included in the Balance Sheet at 31 July 2002.

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)
- Tremough Development Vehicle Ltd  
50 Ordinary £1 Shares fully paid at cost

During the year the University took up 50% of the issued share capital of 100 £1 Ordinary shares in the Tremough Development Vehicle Ltd. This joint venture company with the Falmouth College of Arts has been established to provide the construction of the main HUB for the Combined Universities in Cornwall project to be based at the Tremough campus in Penryn.

The investment in other unlisted shares comprises the following investments:

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

## NOTES TO THE FINANCIAL STATEMENTS

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.

All companies are registered in England and Wales and operate in the UK.

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

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward	10,320	11,211
Additions	1,080	433
Disposals	(535)	(528)
Depreciation on disposals/revaluation	(1,884)	(796)
	<u>8,981</u>	<u>10,320</u>
The investments comprise:		
Fixed interest stocks	1,464	1,986
Equities	7,517	7,341
Bank balances	—	993
	<u>8,981</u>	<u>10,320</u>

### NOTE 13 DEBTORS

	<b>Group</b>		<b>University</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Debtors	4,912	3,581	4,892	3,505
Amounts owed by group undertakings:				
Subsidiary companies	5	—	2,935	5
Prepayments and accrued income	3,536	3,056	3,536	3,051
	<u>8,453</u>	<u>6,637</u>	<u>11,363</u>	<u>6,561</u>

## NOTES TO THE FINANCIAL STATEMENTS



### NOTE 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loans and overdrafts	489	744	333	719
Payments received in advance	248	133	248	133
Trade creditors	8,025	7,130	7,491	7,119
Amounts owed to group undertakings:				
Subsidiary companies	—	—	930	207
Corporation tax	4	4	—	—
Other taxation and social security	1,353	1,385	1,353	1,380
Accruals and deferred income	6,093	4,734	6,090	4,734
	16,212	14,130	16,445	14,292

### NOTE 15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		University	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loans	24,199	24,279	24,199	24,279
Inherited Liability - Cornwall County Council	83	88	83	88
Other long term creditors	2,094	1,741	5,990	1,741
	26,376	26,108	30,272	26,108

### NOTE 16 BORROWINGS

#### a) Bank loans and overdrafts

	Group		University	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	489	1,051	333	1,026
In one to two years	347	463	347	463
In two to five years	1,212	1,125	1,212	1,125
In five years or more	22,640	22,384	22,640	22,384
Total	24,688	25,023	24,532	24,998

#### b) Finance Leases

The University is not committed to any finance lease obligations.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 17 DEFERRED CAPITAL GRANTS - Group and University

	<b>Funding Council £'000</b>	<b>Other Grants £'000</b>	<b>Total £'000</b>
<b>At 1 August 2001</b>			
Land and buildings	9,406	2,375	11,781
Equipment	373	1,078	1,451
	9,779	3,453	13,232
Cash Received			
Land and buildings	7,900	200	8,100
Equipment	48	824	872
	7,948	1,024	8,972
Released to Income and Expenditure Account			
Land and buildings	(432)	(64)	(496)
Equipment	(337)	(976)	(1,313)
	(769)	(1,040)	(1,809)
<b>At 31 July 2002</b>			
Land and buildings	16,874	2,511	19,385
Equipment	84	926	1,010
	16,958	3,437	20,395

### NOTE 18 ENDOWMENTS - Group and University Specific Endowments

	<b>2002 £'000</b>	<b>2001 £'000</b>
<b>At 1 August 2001</b>		
Additions	759	63
Depreciation of endowment asset investments	(1,884)	(796)
Income for the year	320	370
Transferred to income and expenditure account	(534)	(528)
	8,981	10,320
<b>At 31 July 2002</b>		
<b>Representing:</b>		
Trustee Securities Pool	1,558	2,065
Institute for Arab and Islamic Studies	6,788	8,255
Other	635	—
	8,981	10,320

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

## NOTES TO THE FINANCIAL STATEMENTS



### NOTE 19 REVALUATION RESERVE

#### Group and University

	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
<b>At 1 August 2001</b>	102,040	772	102,812
Revaluation in the year	—	1,767	1,767
Transfer from revaluation reserve to general reserve in respect of:			
Depreciation on re-valued assets	(2,371)	—	(2,371)
<b>At 31 July 2002</b>	99,669	2,539	102,208

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

The movement in the year comprises:

Other quoted investments	—	(334)	(334)
Library special collection	—	2,101	2,101
	—	1,767	1,767

### NOTE 20 RESERVES

#### Group

	Capital £'000	Committed Balances £'000	Residences Equalisation £'000	Other Specific £'000	General £'000	Total £'000
Balance at 1 August 2001	12,592	10,256	(3,143)	5,319	5,133	30,157
Deficit for the year	—	—	—	—	(227)	(227)
Transfers:						
Revaluation reserve	—	—	—	—	2,371	2,371
Others	3,292	1,610	(429)	(2,303)	(2,170)	—
Balance at 31 July 2002	15,884	11,866	(3,572)	3,016	5,107	32,301

#### University

	Capital £'000	Committed Balances £'000	Residences Equalisation £'000	Other Specific £'000	General £'000	Total £'000
Balance at 1 August 2001	12,592	10,256	(3,143)	5,319	5,130	30,154
Deficit for the year	—	—	—	—	(268)	(268)
Transfers:						
Revaluation reserve	—	—	—	—	2,371	2,371
Others	3,292	1,610	(429)	(2,303)	(2,170)	—
Balance at 31 July 2002	15,884	11,866	(3,572)	3,016	5,063	32,257

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 21 RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT)/SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
(Deficit)/surplus before tax on continuing operations after depreciation of assets at valuation	(227)	674
Depreciation	6,049	4,024
Deferred capital grants released to income (note 17)	(1,809)	(1,557)
Endowment and investment income (note 5)	(1,222)	(1,415)
Profit on disposal of tangible fixed assets	—	(740)
Interest payable (note 8)	1,939	1,967
Increase in stock	(55)	(81)
(Increase)/Decrease in debtors	(1,818)	201
Increase in creditors	2,320	1,978
	<hr/>	<hr/>
Net cash inflow from operating activities	5,177	5,051

### NOTE 22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Income from endowments	321	370
Income from short term investments	639	857
Other interest received	49	32
Interest paid	(1,942)	(1,970)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(933)	(711)

### NOTE 23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of tangible assets	(12,221)	(8,367)
Payments to acquire long term investments	(608)	(184)
Payments to acquire endowment asset investments	(1,184)	(743)
Sales of tangible fixed assets	—	1,412
Receipts from the sale of endowment assets	534	528
Deferred capital grants received	8,973	3,110
Endowments received	759	63
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	(3,747)	(4,181)



## NOTES TO THE FINANCIAL STATEMENTS



### NOTE 24 MANAGEMENT OF LIQUID RESOURCES

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Sale of investments	—	—
Withdrawals from deposits	—	—
	<hr/>	<hr/>
Net cashflow from management of liquid resources	—	—
	<hr/>	<hr/>

### NOTE 25 FINANCING

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Debt due beyond a year:		
New secured loan repayable by 2016	255	234
Repayment of amounts borrowed	(668)	(632)
	<hr/>	<hr/>
Net cash (outflow) from financing	(413)	(398)
	<hr/>	<hr/>

### NOTE 26 ANALYSIS OF CHANGES IN NET DEBT

	<b>At</b>	<b>Cash</b>	<b>Other</b>	<b>At</b>
	<b>1 August</b>	<b>Flows</b>	<b>Changes</b>	<b>31 July</b>
	<b>2001</b>	<b>£'000</b>	<b>£'000</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash in hand and at bank	10,907	(46)	—	10,861
Endowment asset investments	(311)	(104)	—	(415)
Overdrafts	(390)	234	—	(156)
	<hr/>	<hr/>	<hr/>	<hr/>
	10,206	84	—	10,290
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within 1 year	(1,051)	(10)	—	(1,061)
Debt due after 1 year	(26,108)	413	(681)	(26,376)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>(16,953)</b>	<b>487</b>	<b>(681)</b>	<b>(17,147)</b>
	<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 FINANCIAL STATEMENTS

The latest actuarial valuation for USS was at 31 March 1999 and for ERBS was 5 April 2002. 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:

	<b>USS</b>	<b>ERBS</b>
Latest actuarial valuations	31 March 1999	5 April 2002
<b>Past Service Liabilities</b>		
Valuation rate of interest per annum	4.5%	5.1%
Salary increases per annum	3.6%	4.3%
Pension increases per annum	2.6%	2.8%
<b>Future Service Liabilities</b>		
Valuation rate of interest per annum	5.5%	5.1%
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	£50m
Value of past service liabilities	£17,427m	£55m
Proportion of members' accrued benefits covered by the actuarial value of the assets	108%	90%

### (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 FINANCIAL STATEMENTS

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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. At the date these financial statements were approved no announcement had been received from USS.

The total pension cost for the institution was £3,968,000 (2001: £3,658,000). The contribution rate was 14% of pensionable salaries.

### (ii) ERBS

The latest actuarial valuation (5 April 2002) showed that the funds held by the Trustees were insufficient to meet anticipated future commitments. The University agreed to reintroduce employer's contributions with effect from 1 August 2002 in order to fund the projected shortfall. The revised contribution rate was 6.0%. (This amended arrangement replaces the planned extension of the nil contribution rate from the University, which had been anticipated to extend until 31 December 2004). The Actuary updated the figures as at 31 July 2002. The principal assumptions used were in accordance with those used by independent qualified actuaries in updating the most recent reviews of the UK schemes for financial Reporting Standard (FRS 17) purposes as follows:

	%
Rate of increase in salaries	3.9
Rate of increase in pension payments	2.4
Discount rate	6.0
Inflation assumption	2.4

The assets in the scheme were (value at 31 July 2002):

	<b>2002</b>	<b>2001</b>
	<b>£m</b>	<b>£m</b>
Equities	27.0	39.4
Bonds	15.2	8.8
Property	—	2.1
Cash/Other	0.6	1.6
	<hr/>	<hr/>
	42.8	51.9
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

The net assets and profit and loss reserves at 31 July 2002 were measured in accordance with the requirements of FRS17:

### Balance Sheet Presentation

	<b>2002</b>	<b>2001</b>
	<b>£m</b>	<b>£m</b>
Net assets excluding pension asset	163.9	156.5
Pension (liability)/asset	(0.6)	12.0
	<hr/>	<hr/>
Net assets including pension assets	163.3	168.5
	<hr/>	<hr/>

### Analysis of the amount that would have been charged to operating profit

	<b>2002</b>
	<b>£m</b>
Current Service Cost	0.9
Past service Cost	—
	<hr/>
Total Operating Charge	0.9
	<hr/>

### Analysis of the amount that would have been credited to other finance income

	<b>2002</b>
	<b>£m</b>
Expected return on pension scheme assets	3.6
Interest on pension scheme liabilities	(2.3)
	<hr/>
Net return	1.3
	<hr/>

### Analysis of the movement in scheme surplus during the year

	<b>2002</b>
	<b>£m</b>
Surplus at 31 July 2001	12.1
Current Service Cost	(0.9)
Contributions Paid	0.0
Past Services Costs	0.0
Other finance income	1.3
Actuarial (losses)	(13.3)
	<hr/>
Deficit at 31 July 2002	(0.8)
	<hr/>

### Analysis of the amount that would have been recognised in the Statement of Recognised Gains and Losses (STRGL)

## NOTES TO THE FINANCIAL STATEMENTS



	<b>2002</b> <b>£m</b>
Actual return less expected return scheme assets	(13.5)
Experience (losses)	(4.6)
Gain/(Loss) in recognisable surplus	0.0
Changes in assumption underlying the present Value of scheme liabilities	4.8
Actuarial loss that would have been recognised in STRGL	(13.3)

(iii) Pension Cost

The total pension cost for the University was:

	<b>2002</b> <b>£m</b>	<b>2001</b> <b>£m</b>
Contributions to USS - regular cost	3,968	3,658
Contributions to ERBS	—	—
Contributions to other pension schemes	44	39
Supplementary pension costs	47	64
Early retirement pension enhancement costs	519	440
Total pension cost	4,578	4,201

**NOTE 28 CAPITAL COMMITMENTS - Group and University**

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
Commitments contracted at 31 July 2002	7,757	4,100
Authorised but not contracted at 31 July 2002	76,516	41,537
	84,273	45,637

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:

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
Academic buildings	140	91
Student accommodation and conference facilities	690	302
Amenity buildings	15	—
	845	393

At 31 July 2002 total consolidated capital expenditure temporarily funded amounted to £35.9m.



## NOTES TO THE FINANCIAL STATEMENTS

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### **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.

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 POST BALANCE SHEET EVENTS**

After 31 July 2002 the University entered into a loan arrangement with Barclays Bank Plc to borrow £28m to fund a large element of the projected capital cost of £33m to build new student residences, which will provide facilities for 1,132 students. The residences will replace existing accommodation and be located partly on the University's main campus in Exeter and partly on two sites close to the main campus. The long-term loan facilities have been secured against the value of the premises to be constructed and the borrowings are based on a variable rate, which will apply for a two-year period subject to a cap and collar arrangement. For the remaining period of the loan a forward start hedging arrangement has been entered into at a pre-determined fixed rate of interest.

Since the year-end the University, in a joint venture with Falmouth College of Arts, has also commenced construction of academic facilities on a site at Tremough in Cornwall under the Combined Universities in Cornwall initiative. The authorised expenditure on academic buildings in Cornwall was £45m at 31 July 2002. The Higher Education Funding Council is providing grant funding as are the European Community (through Objective 1 funds) and the UK Government. Since that date the University and Falmouth College of Arts have jointly agreed to build student residences on the site at an estimated cost of £17.55m to be entirely funded by a loan on similar terms to the one referred to above.

### **NOTE 31**

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 2002

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Balance Unspent at 1 August 2001	154	64
Funding Council Grants	553	557
Other Sources	—	—
Interest Earned	9	13
	<hr/>	<hr/>
	716	634
Disbursed to Students	(695)	(480)
Audit Fees	—	—
	<hr/>	<hr/>
Balance Unspent at 31 July 2002	21	154

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 of the HE Community Chest for the Year ended 31 July 2002**

		<b>University</b>	<b>University of</b>	<b>Total</b>	<b>Total</b>
	<b>Notes</b>	<b>of Exeter</b>	<b>Plymouth</b>	<b>2001/2002</b>	<b>2000/2001</b>
<b>INCOME</b>		<b>2001/2002</b>	<b>2001/2002</b>	<b>2001/2002</b>	<b>2000/2001</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Funding Council Grants	3	570	570	1,140	674
NHS - SIFT Funding	4	648	648	1,296	0
Other Income		0	0	0	10
Endowment and Investment Income		22	21	43	28
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total income</b>		1,240	1,239	2,479	712
		<hr/>	<hr/>	<hr/>	<hr/>
<b>EXPENDITURE</b>					
Staff costs		777	776	1,553	419
Other Operating Expenses		463	463	926	293
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total expenditure</b>		1,240	1,239	2,479	712
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Surplus on continuing operations</b>		0	0	0	0
		<hr/>	<hr/>	<hr/>	<hr/>

## APPENDICES

### BALANCE SHEET of the HE Community Chest as at 31 July 2002

	Notes	2002 £000	2001 £000
Current Assets			
Debtors	5	806	0
Cash at Bank and In Hand	6	1,269	944
		<hr/>	<hr/>
		2,075	944
<b>Creditors: Amounts falling due within one year</b>	7	(2,075)	(944)
		<hr/>	<hr/>
<b>Net current Liabilities/Assets</b>		0	0
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		0	0
		<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>		0	0
		<hr/>	<hr/>

### Explanatory Notes

#### 1. 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 Trust, Plymouth Hospitals NHS Trust and Royal Cornwall Hospitals Trust) and further arrangements with healthcare providers throughout the South West peninsula.

All income received in respect of PMS by each university is transferred to an "HE Community Chest", managed initially by the University of Exeter. Expenditure incurred by each university on behalf of PMS is reimbursed from the "HE Community Chest". 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 the "HE Community Chest".

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

#### 2. Audit Arrangements

A 50% share of the Income, Expenditure and Balance Sheet items of the "HE Community Chest" of the Peninsula Medical School is included within the Income and Expenditure Account and Balance Sheet of each of the Universities. These transactions are part of the audited financial statements of each University for the year ended 31 July 2002.





## APPENDICES

### 3. Funding Council Grants

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
<i>HEFCE Medical Capital Grant</i>		
Deferred balance brought forward	243	0
Medical Capital Grant Received	1,644	917
Transferred to Deferred Income	(747)	(243)
	<hr/>	<hr/>
Transferred to Income and Expenditure Account	1,140	674
	<hr/>	<hr/>

### 4. NHS - SIFT Funding

During the year ended 31 July 2002, £1,296,000 of SIFT funding was received to cover HE expenditure attributable to the NHS aspects of the Peninsula Medical School.

### 5. Debtors

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Accrued income	98	0
Due from NHS partners	708	0
	<hr/>	<hr/>
	806	0
	<hr/>	<hr/>

### 6. Cash at Bank and In Hand

The balance of £1,269,000 was held for management at 31 July 2002 by the University of Exeter pending settlement of the claims for reimbursement of expenditure incurred to date by each University.

### 7. Creditors: Amounts falling due within one year

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	52	0
Due to partner universities	596	701
Deferred income:		
HEFCE Medical Capital Grant	747	243
HEFCE Recurrent Teaching Grant	478	0
Fees received in advance	110	0
Other	79	0
Accruals	13	0
	<hr/>	<hr/>
	2,075	944
	<hr/>	<hr/>

### 8. Expenditure within the NHS

During the year ended 31 July 2002 the following expenditure relating to PMS took place within the NHS (this expenditure was not funded through the "HE Community Chest"):

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Staff Costs	231	0
Other	93	0
	<hr/>	<hr/>
	324	0
	<hr/>	<hr/>