

The logo for the University of Exeter, featuring the text "UNIVERSITY of EXETER" in a serif font, with "of" in a smaller, italicized font. The logo is enclosed in a double-lined rectangular border.

UNIVERSITY  
*of*  
EXETER

The title of the financial statements, "FINANCIAL STATEMENTS 2002/2003", written in a blue serif font. The text is centered and overlaid on a background image of a modern building's structural framework.

FINANCIAL STATEMENTS  
2002/2003

The tagline "Building for the future" written in a blue serif font. The text is centered and overlaid on a background image of a modern building's structural framework.

Building for the future

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## REPORT OF THE TREASURER

### SCOPE OF THE FINANCIAL STATEMENTS

The Financial Statements for the financial year to 31 July 2003 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 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. The University holds a 50% shareholding in Tremough Development Vehicle Limited (TDV). It was incorporated in February 2002 as a joint venture company limited by shares, between the University and Falmouth College of Arts (FCA) 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 University and FCA receive capital grants, which are released to TDV to fund the academic development at Tremough. The two institutions retain beneficial ownership of the buildings and they are therefore capitalised in their respective accounts. The capitalisation may subsequently be adjusted in relation to the occupation of space by each institution. TDV has

also begun construction of student residences (scheduled for completion by September 2004), which it will own and finance by a bank loan.

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 joint arrangement between the University of Exeter and the University of Plymouth. It 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 Note 34 to the Financial Statements on pages 38 to 42. The Higher Education Funding Council has separately funded 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 financial statements of the Exeter University Foundation, a registered charity, have not been consolidated on the grounds that the University does not exert a dominant influence over its activities.

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

The University's consolidated Income and Expenditure Account reveals results for the year to 31 July 2003 as follows:

	<b>2002/03</b>	<b>2001/02</b>
	<b>£'000</b>	<b>£'000</b>
Income	106,541	96,203
Expenditure	(105,344)	(96,430)
Surplus/(deficit) after depreciation of assets at valuation and taxation	<u>1,197</u>	<u>(227)</u>
Historical cost surplus	<u>3,870</u>	<u>2,144</u>



## REPORT OF THE TREASURER

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The University's total income increased by 10.7% compared with the previous year. Just over half of the increase was attributable to the receipt of additional grants from the Funding Councils in the year. The additional grants reflected additional student numbers and an out-performance in the 2001 research assessment exercise. The additional grants also included funds in support of an HEFCE Human Resources Strategy to reward and develop staff (see Note 1 to the Financial Statements) and grants towards the development of the Peninsula Medical School. Student numbers for 2002/03 amounted to 10,712 full time equivalents (2001/02: 10,161) giving rise to year-on-year increases in income from full-time students of 12.7% and from international students of 16.3%. Income from research grants and contracts increased by 1.3% to £12.5m; this is felt to be a disappointing performance in respect of an area of activity which the University has planned to develop. Revenue from residences, catering and conferences increased year-on-year but at a rate just below the level of inflation reflecting a sound performance in the management of occupancies in the student residences, the provision of retail services and the management of conferences and retail functions. Other income increased by 30% to £8.0m primarily as a result of NHS funding in connection with the Peninsula Medical School and success in attracting project funding, particularly from the European Social Fund and Regional Development Agency.

Expenditure, excluding depreciation, increased by 10.2% over 2001/02. The main recurrent increases resulted from the recruitment of additional staff, the effects of annual pay awards, which continued to exceed the Government's allowance in the HEFCE grant settlement, increases in national insurance contributions and in employer superannuation contributions. The surplus for the year was £1,197k and 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 £3.9m (2001/02: £2.1m).

For a period of ten years the University benefited from a cessation of employer's contributions to the University of Exeter Retirement Benefits Scheme (ERBS). 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 has affected most pension schemes. The University reintroduced 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 was reviewed again following a full actuarial valuation in April 2003 and employer's contributions were increased to 10.0% with effect from 1 August 2003. It is currently planned to further increase the rate of employer's contributions to 16% with effect from 1 August 2004. The Actuary and the Trustees to the Scheme and the University have agreed these increases, which will give rise to annual payments amounting to approximately £1m in 2003/04 and £1.6m in 2004/05. 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 2003 includes expenditure in the year on land and buildings totalling £20.1m. This represents the highest level of activity in terms of a capital programme for many years. It includes initial expenditure of £7.2m by the University in respect of the Combined Universities in Cornwall initiative to develop a new campus in Cornwall at Tremough in partnership with Falmouth College of Arts. Expenditure on new academic buildings also includes £2.2m in respect of a Biocatalysis Centre, £0.9m to complete the specialist facility for sedimentary research and a further £0.7m for the Peninsula Medical School. During the year £7.1m has been spent on a scheme costing in excess of £38m to redevelop and extend student residences on and around the main campus. Expenditure to continue the improvement of sports facilities was £0.3m. Authorised and contracted capital commitments at the year-end amounted to £36.9m whilst those authorised but not contracted amounted to £30.4m. The high level of capital commitments reflects the significant on-going capital development programme. This includes the student residences refurbishment scheme mentioned above and the expenditure on the new campus in Cornwall.



## REPORT OF THE TREASURER

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Investments performed satisfactorily in view of the difficult 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 capital gains, retention of income received and a withdrawal of £0.6m to fund related expenditure in the year, increased from £9.0m to £9.8m. A full breakdown of the changes is given in Note 12.

At 31 July 2003 the University had a consolidated income and expenditure account reserve of £36.2m (2002: £32.3m), which was in line with the average position for the Sector as a whole in recent years.

### CASHFLOW

The University's consolidated holding of cash at bank and in hand reduced during the year to £9.1m. The reduction of £1.7m together with an operating cash inflow of £2.1m (2001/02: £5.2m) contributed to the funding of outflows arising on capital investment and financial investment activities and the negative cashflow from the returns on investments and servicing of finance. Net debt over the year to 31 July 2003 increased by £5.3m.

### CONCLUSION

The Financial Statements for 2002/03 demonstrate that the University is continuing to progress in financial terms at a significant pace. The year-on-year rise in income at over 10% reflects the impact of the first full year of activity at the Peninsula Medical School, progress in the quest to develop income generation through diversification of operations and the recruitment of additional overseas students. The Statements also reflect significant capital works in furtherance of partnership arrangements and in particular, the Combined Universities in Cornwall initiative, which involves the construction of significant academic and administrative buildings and the provision of student residences.

Attention continues to be focussed upon the reduction in dependence upon government related funding (through further partnership initiatives and the establishment of stronger links with business) and the development of first-

class facilities at Exeter. The University will then be well placed by 2006 to deliver a first rate higher education package to students who will become increasingly discerning customers if the current proposed fee legislation is approved in 2004.

It is pleasing to report that in overall terms the University continues to maintain a strong balance sheet and arrangements will continue to be made to maintain effective financial management as development targets are pursued.

G A STURTRIDGE  
TREASURER

November 2003



# CORPORATE GOVERNANCE STATEMENT

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## INTRODUCTION

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.

## PRINCIPLES OF OPERATION

The University conducts 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*.

## LEGAL STATUS OF THE UNIVERSITY

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.

## MANAGEMENT

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.

In addition to the above three bodies, Council has an Audit Committee which the University is required to maintain in accordance with its Financial Memorandum with the Higher Education Funding Council for England (HEFCE) in order to ensure that it is fulfilling its responsibilities for proper financial management, effective internal control, risk management and value for money. Its activities are as follows:

- **The Audit Committee** - is a Committee of Council which considers detailed reports from the University's Auditors which include recommendations for the improvement of the institution's systems of internal control, together with management responses and implementation plans. The Committee also receives and considers reports from the HEFCE as they affect the University's business and monitors adherence to regulatory requirements.

The Audit Committee meets four times a year (three in 2002/03) with the University's senior officers and



## CORPORATE GOVERNANCE STATEMENT

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the External and Internal Auditors in attendance. At least once a year the Committee meets the Auditors without the University officers present. The Committee consists of members with no executive responsibility for the management of the University.

### VICE-CHANCELLOR

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.

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.

### UNIVERSITY COMMITTEES

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

### INTERNAL CONTROL

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 system of control is based on an ongoing process designed to identify the principal risks to the achievement of the University's goals, to evaluate the outcome and extent of those risks and to manage them efficiently, effectively, and economically. At 31 July 2003 Council had procedures in place as follows:

Council has:

- a) adopted a risk management policy;
- b) apportioned responsibility for implementation of the policy;
- c) finalised a risk management methodology incorporating a schedule of major risks to the achievement of the University's objectives;
- d) identified and adopted the framework of a control strategy for each of the significant risks determined;
- e) set up an organisation-wide risk register, maintained and reviewed by management;
- f) set up a Risk Steering Group to determine and develop a reporting framework for fundamental risks including an associated timetable of events and assigned responsibilities; and to design and deliver a programme of training with a view to further embedding risk awareness and management across the institution;



## CORPORATE GOVERNANCE STATEMENT

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- g) involved the Audit Committee in reviewing the University's approach to risk management;
- h) adapted internal audit planning arrangements and the methodology and approach of the Auditors to reflect the adoption of risk management;
- i) conducted an annual review of the University's insurance arrangements; and
- j) incorporated risk management more fully into the University's planning and decision making process.

The work of the Internal Auditors is informed by an analysis of the risks to which the University is exposed and 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 Auditors provide 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.

### REGISTER OF INTERESTS

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

### FURTHER INFORMATION

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.



## 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.

Working through its Planning and Resources, Finance and Audit Committees Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and 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 (SORP) and all relevant accounting and financial reporting 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;
- the SORP and 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 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;
- Financial Regulations supplemented by a



## RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY

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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;
- a formalised treasury management policy.

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 and Touche was the service provider during the year to 31 July 2003 and will provide the service during 2003/04 also.

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



## 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 34. The financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Council of the University of Exeter, as a body, in accordance with United Kingdom law and with the University's Charter of Incorporation. Our audit work has been undertaken so that we might state to the Council of the University of Exeter those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of the University of Exeter as a body for our audit work, for this report, or for the opinions we have formed.

### 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 2003, 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 2003

Broadwalk House  
Southernhay West  
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**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
 – for the Year ended 31 July 2003

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<b>INCOME</b>	<b>Note</b>	<b>2002/03 £'000</b>	<b>2001/02 £'000</b>
Funding Council grants	1	42,069	36,799
Tuition fees and education contracts	2	22,522	20,053
Research grants and contracts	3	12,472	12,311
Other income (including share of joint venture)	4	28,332	25,821
Endowment and investment income	5	1,167	1,222
		<hr/>	<hr/>
<b>Total income</b>		106,562	96,206
Less: Share of income from joint venture		(21)	(3)
		<hr/>	<hr/>
<b>Net Income</b>		106,541	96,203
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Staff costs	6	60,589	53,240
Other operating expenses	7	37,135	35,202
Depreciation	7	5,763	6,049
Interest payable	8	1,857	1,939
		<hr/>	<hr/>
<b>Total expenditure</b>		105,344	96,430
		<hr/>	<hr/>
Group operating surplus/(deficit) on continuing operations		1,197	(227)
Share of operating profit in joint venture		—	—
Surplus/(deficit) on continuing operations after depreciation of fixed assets at valuation and before tax		<hr/>	<hr/>
		1,197	(227)
		<hr/>	<hr/>
<b>Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and after tax</b>	9	1,197	(227)
		<hr/>	<hr/>

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


  
**CONSOLIDATED STATEMENT OF HISTORICAL COST  
SURPLUSES – for the Year ended 31 July 2003**

	<b>Note</b>	<b>2002/03 £'000</b>	<b>2001/02 £'000</b>
Surplus/(deficit) on continuing operations before taxation		1,197	(227)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	19	2,673	2,371
Realisation of property revaluation gains of previous years		—	—
<b>Historical cost surplus for the year before taxation</b>		<u>3,870</u>	<u>2,144</u>
<b>Historical cost surplus for the year after taxation</b>		<u>3,870</u>	<u>2,144</u>

**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED  
GAINS AND LOSSES – for the Year ended 31 July 2003**

	<b>Note</b>	<b>2002/03 £'000</b>	<b>2001/02 £'000</b>
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax		1,197	(227)
Appreciation/(depreciation) of endowment asset Investments	18	962	(1,884)
Endowment income (dispersed) for the year	18	(173)	(214)
New endowments	18	2	759
Revaluation surplus on fixed asset Investments	19	87	1,767
<b>Total recognised gains relating to the year</b>		<u>2,075</u>	<u>201</u>
<b>Reconciliation</b>			
		<b>£'000</b>	<b>£'000</b>
Opening reserves and endowments		143,490	143,289
Total recognised gains for the year		2,075	201
Closing reserves and endowments		<u>145,565</u>	<u>143,490</u>

## BALANCE SHEETS AS AT 31 JULY 2003

	Note	Group		University	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
<b>Fixed assets</b>					
Tangible assets	10	189,048	172,883	189,061	172,069
Investment	11	4,693	4,381	6,693	6,381
Investment Assets – Joint Ventures	11				
Share of gross assets		2,398	448	—	—
Share of gross liabilities		(2,398)	(448)	—	—
		<u>193,741</u>	<u>177,264</u>	<u>195,754</u>	<u>178,450</u>
<b>Endowment assets</b>	12	<u>9,772</u>	<u>8,981</u>	<u>9,772</u>	<u>8,981</u>
<b>Current assets</b>					
Stock		906	914	906	914
Debtors	13	16,951	8,453	19,115	11,363
Cash at bank and in hand		9,140	10,861	9,122	10,850
		<u>26,997</u>	<u>20,228</u>	<u>29,143</u>	<u>23,127</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(20,195)</u>	<u>(16,212)</u>	<u>(20,628)</u>	<u>(16,445)</u>
<b>Net current assets</b>		<u>6,802</u>	<u>4,016</u>	<u>8,515</u>	<u>6,682</u>
<b>Total assets less current liabilities</b>		210,315	190,261	214,041	194,113
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(29,941)</u>	<u>(26,376)</u>	<u>(33,650)</u>	<u>(30,272)</u>
<b>Net assets</b>		<u>180,374</u>	<u>163,885</u>	<u>180,391</u>	<u>163,841</u>
<b>Deferred capital grants</b>	17	34,809	20,395	34,809	20,395
<b>Specific endowments</b>	18	9,772	8,981	9,772	8,981
<b>Reserves</b>					
Revaluation reserve	19	99,622	102,208	99,622	102,208
Income and expenditure reserve	20	36,171	32,301	36,188	32,257
Total reserves		<u>135,793</u>	<u>134,509</u>	<u>135,810</u>	<u>134,465</u>
<b>Total</b>		<u>180,374</u>	<u>163,885</u>	<u>180,391</u>	<u>163,841</u>

The financial statements on pages 10 to 42 were approved by the Council on 15 December 2003 and signed on its behalf by:

G A Sturtridge - Treasurer  
15 December 2003

Professor S Smith - Vice-Chancellor

D J Allen - Registrar & Secretary

*England*  
DEMAND THE BEST

**CONSOLIDATED CASH FLOW STATEMENT**  
- for the Year ended 31 July 2003

	<b>Note</b>	<b>2002/03</b> <b>£'000</b>	<b>2001/02</b> <b>£'000</b>
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	21	2,105	5,177
Returns on investments and servicing of finance	22	(862)	(933)
Taxation		—	—
Capital expenditure and financial investment	23	(6,483)	(3,747)
Management of liquid resources	24	—	—
Financing	25	3,597	(413)
(Decrease)/increase in cash in the year		<u>(1,643)</u>	<u>84</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
		<b>2002/03</b> <b>£'000</b>	<b>2001/02</b> <b>£'000</b>
(Decrease)/increase in cash in the year		(1,643)	84
Cash inflow from new secured loans	25	(4,533)	(255)
Cash outflow from repayment of loans	25	936	668
Cash inflow/(outflow) from creditors due in more than one year	26	33	(681)
Cashflow from liquid resources	24	—	—
Change in net debt resulting from cash flows	26	<u>(102)</u>	<u>(10)</u>
Movement in net debt in the year		(5,309)	(194)
Net Debt at 1 August		<u>(17,147)</u>	<u>(16,953)</u>
<b>Net Debt at 31 July</b>	26	<u>(22,456)</u>	<u>(17,147)</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, a registered charity, have not been consolidated on the grounds that the University does not operate dominant influence over its activities. The aggregate amount of the respective share of capital and reserves of Exeter Enterprises Limited and The University of Exeter Guild of Students as at 31 July 2003, 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	269	58
Profit	22	35

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 2003 it made charitable disbursements to the University of £1.1m (2002: £1.1m) and had funds totalling £6.8m at that date (2002: £5.4m).

The 50% holding in the Tremough Development Vehicle Limited 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, such that 50% of the company's gross assets and liabilities are incorporated into the Consolidated Balance Sheet of the University and 50% of its net income is reported in the University's Consolidated Income and Expenditure Account. TDV has entered into a gift aid arrangement to distribute surpluses arising on its activities equally to the University and Falmouth College of Arts.

The Peninsula Medical School (PMS) is not a legal entity in its own right. It is a joint arrangement entered into by the University of Exeter and the University of Plymouth. 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.

#### 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 made 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 other 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. Contributions to the schemes are charged to the Income and Expenditure Account so as to spread the cost of the pensions over the employees' working lives with the University in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. (In accordance with SSAP24). 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.

### *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



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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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>2002/2003</b>		<b>2001/2002</b>
	<b>£'000</b>	<b>TTA</b>	<b>TOTAL</b>	<b>£'000</b>
		<b>£'000</b>	<b>£'000</b>	
Recurrent grant	34,023	2,463	36,486	33,094
Specific grants				
HEFCE				
Medical capital and equipment	1,751	—	1,751	570
Rewarding and developing staff in HE	975	—	975	660
Reach-out to business and the community	346	—	346	300
HE Innovations Fund	291	—	291	80
Excellence challenge	219	—	219	219
Combined Universities in Cornwall	177	—	177	44
Institutional learning and teaching strategies	160	—	160	139
Others	198	—	198	401
TTA				
Inset	—	668	668	287
Secondary subject shortage scheme	—	85	85	143
Rewarding and developing staff in HE	—	82	82	63
Partnership arrangements	—	31	31	30
Others	—	30	30	—
Deferred capital grants released in the year				
Buildings (note 17)	406	—	406	432
Equipment (note 17)	164	—	164	337
	<u>38,710</u>	<u>3,359</u>	<u>42,069</u>	<u>36,799</u>

### NOTE 2 TUITION FEES AND EDUCATION CONTRACTS

	<b>2002/03</b>	<b>2001/2002</b>
	<b>£'000</b>	<b>£'000</b>
Full-time students	12,070	10,708
Full-time students charged overseas fees	7,370	6,334
Part-time fees	865	937
Research training support grants	119	95
Short course fees	2,098	1,979
	<u>22,522</u>	<u>20,053</u>



## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 3 RESEARCH GRANTS AND CONTRACTS

	<b>2002/03</b>	<b>2001/2002</b>
	<b>£'000</b>	<b>£'000</b>
Research councils	5,448	4,794
UK based charities	2,148	2,565
European Commission	678	527
Other grants and contracts	3,774	3,464
Releases from deferred capital grants	424	961
	<u>12,472</u>	<u>12,311</u>

### NOTE 4 OTHER INCOME

	<b>2002/03</b>	<b>2001/2002</b>
	<b>£'000</b>	<b>£'000</b>
Residences, catering and conferences	18,253	17,851
Other services rendered		
Validation fees	163	165
Conference, consultancies and other external income	1,943	1,701
Other income	7,973	6,104
	<u>28,332</u>	<u>25,821</u>

### NOTE 5 ENDOWMENT AND INVESTMENT INCOME

	<b>2002/03</b>	<b>2001/2002</b>
	<b>£'000</b>	<b>£'000</b>
Income from specific endowments	562	534
Income from short term investments	481	638
Income from fixed asset investments	53	23
Other interest receivable	71	27
	<u>1,167</u>	<u>1,222</u>

## NOTES TO THE FINANCIAL STATEMENTS



### NOTE 6 STAFF COSTS

	<b>2002/03</b>	<b>2001/2002</b>
	<b>£'000</b>	<b>£'000</b>
The average number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:		
	Number	Number
Academic	562	538
Research	213	182
Academic services	88	83
Administrative	235	204
Technical	146	144
Clerical/secretarial	338	321
Manual and domestic	544	532
Occasional lecturers	107	100
Casual domestic etc.	37	35
	2,270	2,139

#### Staff costs for the above persons:

	<b>2002/03</b>	<b>2001/2002</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and wages	51,426	45,557
Social security costs	3,685	3,105
Other pension costs (Note 27)	5,478	4,578
	60,589	53,240

Emoluments of the Vice-Chancellor:

The emoluments of the former Vice-Chancellor for two months to 30 September 2002 were:

	£'000	£'000
Remuneration (including benefits in kind)	24	145
Pension contributions	4	26
	28	171

The emoluments of the current Vice-Chancellor for ten months from 1 October 2002 were:

Remuneration (including benefits in kind)	108	0
Pension contributions (on the same basis as for other academic staff)	15	0
	123	0

The University's pension contributions to the former Vice-Chancellor's personal pension scheme were paid at the rate that applied for other academic staff for the period to 1 January 1997.

The University's pension contributions to the current Vice-Chancellor's pension scheme are paid at the same rate as

## NOTES TO THE FINANCIAL STATEMENTS

that applied for other academic staff.

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>2002/03</b>		<b>2001/2002</b>	
	<i>Inclusive</i>	<i>Exclusive</i>	<i>Inclusive</i>	<i>Exclusive</i>
£70,000 - £79,999	4	4	1	1
£80,000 - £89,999	2	1	1	1
£90,000 - £99,999	2	1	3	2
£100,000 - £109,999	0	0	1	1
£110,000 - £119,999	0	0	0	0
£120,000 - £129,999	1	1	1	0
£130,000 - £139,999	0	0	0	0
£140,000 - £149,999	2	1	2	2

### NOTE 7 OTHER OPERATING EXPENSES

	<b>2002/03</b>	<b>2001/2002</b>
	<b>£'000</b>	<b>£'000</b>
Residences, catering and conferences	8,967	8,809
Other equipment	3,235	3,261
Fellowships, scholarships and prizes	2,418	2,033
Laboratory equipment and consumables	2,218	2,322
Books and periodicals	1,827	1,599
Repairs and general maintenance	1,799	1,778
Heat, light, water and power	1,222	1,335
Office/administrative costs	889	805
Grants to the University of Exeter Guild of Students	611	547
Publicity and publications	504	369
Postage and telephone	482	515
Student recruitment	481	330
Insurances	290	318
Auditor's remuneration	29	32
Auditor's remuneration in respect of non-audit services*	13	2
Other expenses	12,150	11,147
	<u>37,135</u>	<u>35,202</u>

\* In addition £164k was paid to the auditor for professional advice in connection with the Birks and Duryard capital project to redevelop student residences and has been added to the capital cost of that scheme and not charged as a revenue expense.



## NOTES TO THE FINANCIAL STATEMENTS

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

### ANALYSIS OF 2002/03 EXPENDITURE BY ACTIVITY

	<b>Staff Costs £'000</b>	<b>Other Operating Expenses £'000</b>	<b>Depre- ciation £'000</b>	<b>Interest Payable £'000</b>	<b>Total Expenditure £'000</b>
Academic schools	33,958	12,614	365	—	46,937
Academic services	3,841	3,421	210	—	7,472
Administration	5,246	4,343	—	—	9,589
Premises	4,210	2,999	2,254	172	9,635
Residences, catering and conferences	5,099	8,967	2,500	1,495	18,061
Research grants and contracts	7,081	3,774	434	—	11,289
Other expenses	1,154	1,017	—	190	2,361
<b>Total</b>	<b>60,589</b>	<b>37,135</b>	<b>5,763</b>	<b>1,857</b>	<b>105,344</b>

The depreciation charge has been funded by:

	<b>£'000</b>
Deferred capital grants released - buildings (note 17)	463
Deferred capital grants released - equipment (note 17)	698
Revaluation reserve released (note 19)	2,673
General income	1,929
	<b>5,763</b>

### NOTE 8 INTEREST PAYABLE

	<b>2002/03 £'000</b>	<b>2001/2002 £'000</b>
<b>On bank loans, overdrafts and other loans:</b>		
Repayable within 5 years, by instalments	185	223
Repayable wholly or partly in more than 5 years	1,672	1,716
<b>Total</b>	<b>1,857</b>	<b>1,939</b>

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

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

	<b>2002/03 £'000</b>	<b>2001/2002 £'000</b>
University's surplus/(deficit) for the year	1,258	(268)
(Deficit)/surplus generated by the subsidiary undertakings and transferred to the University under a deed of covenant	(61)	41
<b>Total</b>	<b>1,197</b>	<b>(227)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10 TANGIBLE FIXED ASSETS

Group	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000	£'000	£'000
<b>Cost/Valuation</b>				
At 1 August 2002				
Valuation	159,175	—	—	159,175
Cost	15,193	1,313	7,596	24,102
	174,368	1,313	7,596	183,277
Additions	12,895	7,168	1,865	21,928
Disposals	—	—	(41)	(41)
	12,895	7,168	1,824	21,882
At 31 July 2003				
Valuation	159,175	—	—	159,175
Cost	28,088	8,481	9,420	45,989
	187,263	8,481	9,420	205,164
<b>Depreciation</b>				
At 1 August 2002				
	4,301	234	5,859	10,394
Charge for the Year	4,675	24	1,064	5,763
Disposals	—	—	(41)	(41)
	4,675	24	1,023	5,756
At 31 July 2003				
	8,976	258	6,882	16,116
<b>Net Book Value</b>				
At 31 July 2003				
	178,287	8,223	2,538	189,048
At 1 August 2002				
	170,067	1,079	1,737	172,883
Inherited	—	234	—	234
Financed by capital grant	120,811	7,613	1,733	130,157
Other	57,852	—	805	58,657
	178,663	7,847	2,538	189,048
<b>Net Book Value</b>				
<b>At 31 July 2003</b>				
	178,663	7,847	2,538	189,048

- 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 £127.6m have been financed, in whole or in part, by exchequer funds. Should these particular buildings be sold, the University would either have to



## NOTES TO THE FINANCIAL STATEMENTS

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 2003 freehold and leasehold land and buildings included £18.8m in respect of buildings under construction.

<b>University</b>	<b>Land and Buildings Long</b>		<b>Equipment</b>	<b>Total</b>
	<b>Freehold £'000</b>	<b>Leasehold £'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Valuation/Cost</b>				
At 1 August 2002				
Valuation	159,175	—	—	159,175
Cost	14,379	1,313	7,596	23,288
	173,554	1,313	7,596	182,463
Additions	13,722	7,168	1,865	22,755
Disposals	—	—	(41)	(41)
At 31 July 2003				
Valuation	159,175	—	—	159,175
Cost	28,101	8,481	9,420	46,002
	187,276	8,481	9,420	205,177
<b>Depreciation</b>				
At 1 August 2002				
	4,301	234	5,859	10,394
Charge for the Year	4,675	24	1,064	5,763
Disposals	—	—	(41)	(41)
	8,976	258	6,882	16,116
<b>Net Book Value</b>				
At 31 July 2003				
	178,300	8,223	2,538	189,061
At 1 August 2002				
	169,253	1,079	1,737	172,069

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10A LAND AND BUILDINGS

#### Additions in Year

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Provision of student residences		
Residences redevelopment scheme	7,113	679
Academic building developments		
Combined Universities in Cornwall Buildings at Tremough	7,168	839
Biocatalysis Centre	2,188	291
Amory extension (sediment research)	899	2,520
Peninsula Medical School	665	3,416
Centre for Finance and Investment	565	—
Old Library	402	—
Lecture Theatre Upgrades	384	—
Disability Access Improvements	140	—
Harrison Building (Computer Science)	37	2,254
Queens Building	4	324
Others	204	499
Student facilities		
Sports facilities	286	1,076
Others	8	11
	20,063	11,909
<b>Funding Details</b>		
Specific and general reserves	145	1,228
Application of HEFCE grants	9,800	9,410
External contributions/grants	2,753	544
External loans, reserves and working balances	7,365	727
	20,063	11,909

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

## NOTES TO THE FINANCIAL STATEMENTS



### 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	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Fine art collection	300	300	300	300
Library special collection	2,101	2,101	2,101	2,101
Investment in quoted stock	1,125	1,038	1,125	1,038
Investment in long term deposit	1,128	903	1,128	903
Investment in associated and subsidiary companies	—	—	2,060	2,060
Investment in other unlisted companies	39	39	39	39
	<u>4,693</u>	<u>4,381</u>	<u>6,753</u>	<u>6,441</u>
Less: Provision for reduction in value of Exeter Enterprises shares	—	—	(60)	(60)
	<u>4,693</u>	<u>4,381</u>	<u>6,693</u>	<u>6,381</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 ended 31 July 2002 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 2003.

The investments in associated and subsidiary companies shares comprises the following:

Dartvale Limited	2,000,002 Ordinary £1 Shares fully paid (at cost)
Exeter Development Capital Limited	2 Ordinary £1 Shares fully paid (at cost)
Exeter Enterprises Limited	60,110 Ordinary £1 Shares fully paid (at cost)
Tremough Development Vehicle Limited	50 Ordinary £1 Shares fully paid at cost

During the year ended 31 July 2002 the University took up 50% of the issued share capital of 100 £1 Ordinary shares in the Tremough Development Vehicle Limited. This joint venture company with the Falmouth College of Arts has been established to provide the construction of the main campus for the Combined Universities in Cornwall project to be based at Tremough in Penryn. It will also own and run student residences being built on that site.

The investment in other unlisted shares comprises the following investments:



## NOTES TO THE FINANCIAL STATEMENTS

- Update Software Limited
  - 5 Ordinary £1 Shares fully paid (at cost)
- CVCP Properties Plc
  - 37,355 Ordinary £1 Shares fully paid (at cost)
- CSM (WA) Limited
  - 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>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward	8,981	10,320
Additions	391	1,080
Disposals	(562)	(535)
Appreciation/(depreciation) on disposals/revaluation	962	(1,884)
	9,772	8,981
The investments comprise:		
Fixed interest stocks	1,018	1,464
Equities	8,711	7,517
Bank balances	43	—
	9,772	8,981

### NOTE 13 DEBTORS

	<b>Group</b>		<b>University</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Debtors	10,985	4,912	10,362	4,892
Amounts owed by group undertakings:				
Subsidiary companies	—	—	2,788	2,935
Prepayments and accrued income	5,966	3,541	5,965	3,536
	16,951	8,453	19,115	11,363

## NOTES TO THE FINANCIAL STATEMENTS

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

	Group		University	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans and overdrafts	349	489	349	333
Payments received in advance	730	248	730	248
Trade creditors*	7,687	8,025	7,680	7,491
Amounts owed to group undertakings:				
Subsidiary companies	—	—	460	930
Taxation and social security	1,525	1,357	1,508	1,353
Accruals and deferred income	9,904	6,093	9,901	6,090
	<u>20,195</u>	<u>16,212</u>	<u>20,628</u>	<u>16,445</u>

\*Trade creditors includes an amount of £814k due in respect of pension liabilities following early retirements.

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

	Group		University	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans	28,389	24,199	28,389	24,199
Inherited Liability – Cornwall County Council	78	83	78	83
Amounts owed by group undertakings:				
Subsidiary companies	—	—	4,359	4,578
Other long term creditors*	1,474	2,094	824	1,412
	<u>29,941</u>	<u>26,376</u>	<u>33,650</u>	<u>30,272</u>

\*Other long term creditors includes an amount of £825k due in respect of pension liabilities following early retirements.

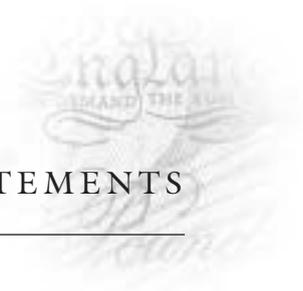
### NOTE 16 BORROWINGS

#### a) Bank loans and overdrafts

	Group		University	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	344	489	344	333
In one to two years	373	347	373	347
In two to five years	1,278	1,212	1,278	1,212
In five years or more	26,738	22,640	26,738	22,640
Total	<u>28,733</u>	<u>24,688</u>	<u>28,733</u>	<u>24,532</u>

#### b) Finance Leases

The University is not committed to any finance lease obligations.



## NOTES TO THE FINANCIAL STATEMENTS

### 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 2002</b>			
Land and buildings	16,037	3,347	19,384
Equipment	85	926	1,011
	16,122	4,273	20,395
Cash Received			
Land and buildings	6,819	6,679	13,498
Equipment	1,904	173	2,077
	8,723	6,852	15,575
Released to Income and Expenditure Account			
Land and buildings	(403)	(60)	(463)
Equipment	(164)	(534)	(698)
	(567)	(594)	(1,161)
<b>At 31 July 2003</b>			
Land and buildings	22,453	9,966	32,419
Equipment	1,825	565	2,390
	24,278	10,531	34,809

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

	<b>2003 £'000</b>	<b>2002 £'000</b>
<b>At 1 August 2002</b>		
Additions	8,981	10,320
	2	759
Appreciation/(depreciation) of endowment asset investments	962	(1,884)
Income for the year	389	320
Transferred to income and expenditure account	(562)	(534)
	9,772	8,981
<b>At 31 July 2003</b>		
<b>Representing:</b>		
Trustee Securities Pool	1,617	1,558
Institute for Arab and Islamic Studies	7,421	6,788
Other	734	635
	9,772	8,981

## NOTES TO THE FINANCIAL STATEMENTS

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

### NOTE 19 REVALUATION RESERVE

#### Group and University

	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
<b>At 1 August 2002</b>	99,669	2,539	102,208
Revaluation in the year	—	87	87
Transfer from revaluation reserve to general reserve in respect of:			
Depreciation on re-valued assets	(2,673)	—	(2,673)
<b>At 31 July 2003</b>	96,996	2,626	99,622

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	—	87	87
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### NOTE 20 RESERVES

#### Group

	Capital £'000	Committed Balances £'000	Residences Equalisation £'000	Other Specific £'000	General £'000	Total £'000
Balance at 1 August 2002	15,884	11,866	(3,572)	3,016	5,107	32,301
Surplus for the year	—	—	—	—	1,197	1,197
Transfers:						
Revaluation reserve	—	—	—	—	2,673	2,673
Others	3,119	1,321	15	(890)	(3,565)	—
Balance at 31 July 2003	19,003	13,187	(3,557)	2,126	5,412	36,171

#### University

	Capital £'000	Committed Balances £'000	Residences Equalisation £'000	Other Specific £'000	General £'000	Total £'000
Balance at 1 August 2002	15,884	11,866	(3,572)	3,016	5,063	32,257
Surplus for the year	—	—	—	—	1,258	1,258
Transfers:						
Revaluation reserve	—	—	—	—	2,673	2,673
Others	3,119	1,321	15	(890)	(3,565)	—
Balance at 31 July 2003	19,003	13,187	(3,557)	2,126	5,429	36,188

## NOTES TO THE FINANCIAL STATEMENTS



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

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) before tax on continuing operations after depreciation of assets at valuation	1,197	(227)
Depreciation	5,763	6,049
Deferred capital grants released to income (note 17)	(1,161)	(1,809)
Endowment and investment income (note 5)	(1,167)	(1,222)
Interest payable (note 8)	1,857	1,939
Decrease/(increase) in stock	8	(55)
(Increase) in debtors	(8,497)	(1,818)
Increase in creditors	4,105	2,320
	<hr/>	<hr/>
Net cash inflow from operating activities	2,105	5,177
	<hr/>	<hr/>

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

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Income from endowments	389	321
Income from short term investments	480	639
Other interest received	124	49
Interest paid	(1,855)	(1,942)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(862)	(933)
	<hr/>	<hr/>

### **NOTE 23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of tangible assets	(21,928)	(12,221)
Payments to acquire long term investments	(226)	(608)
Payments to acquire endowment asset investments	(468)	(1,184)
Receipts from the sale of endowment assets	562	534
Deferred capital grants received	15,575	8,973
Endowments received	2	759
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	(6,483)	(3,747)
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 24 MANAGEMENT OF LIQUID RESOURCES

	<b>2003</b>	<b>2002</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>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Debt due beyond a year:		
New secured loan repayable by 2016	499	255
New secured loan repayable by 2030	4,034	—
Repayment of amounts borrowed	(936)	(668)
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing	3,597	(413)
	<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>2002</b>	<b>£'000</b>	<b>£'000</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash in hand and at bank	10,861	(1,721)	—	9,140
Endowment asset investments	(415)	(78)	—	(493)
Overdrafts	(156)	156	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	10,290	(1,643)	—	8,647
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within 1 year	(1,061)	(102)	—	(1,163)
Debt due after 1 year	(26,376)	(3,597)	33	(29,940)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(17,147)	(5,342)	33	(22,456)
	<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

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The latest actuarial valuation for USS was at 31 March 2002 and for ERBS was 6 April 2003. 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 2002	6 April 2003
<b>Past Service Liabilities</b>		
Valuation rate of interest per annum	5.0%	5.5%
Salary increases per annum	3.7%	4.1%
Pension increases per annum	2.7%	2.6%
<b>Future Service Liabilities</b>		
Valuation rate of interest per annum	6.0%	5.5%
Salary increases per annum	3.7%	4.1%
Pension increases per annum	2.7%	2.6%
Market value of assets at date of last valuation	£19,938m	£41m
Value of past service liabilities	£19,776m	£62m
Proportion of members' accrued benefits covered by the actuarial value of the assets	101%	66%

(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 14.25% of salaries but it was agreed that the institution contribution rate would be maintained at 14% of salaries. To fund the reduction of 0.25% for the period of 12 years from the valuation (the average outstanding working lifetime of current members of the Scheme) required the use of £82.5 million of the surplus.

The total pension cost for the institution was £4,575,000 (2002: £3,968,000). The contribution rate was 14% of pensionable salaries.

## NOTES TO THE FINANCIAL STATEMENTS

### (ii) ERBS

The latest actuarial valuation (6 April 2003) showed that the funds held by the Trustees were insufficient to meet anticipated future commitments. The University agreed to increase employer's contributions in order to fund the projected shortfall; the rate of 6% applying in 2002/03 was increased to 10% from 1 August 2003 and a further rise to 16% is now planned for 2004/05. The Actuary updated the figures as at 31 July 2003. 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	4.1
Rate of increase in pension payments	2.6
Discount rate	5.5
Inflation assumption	2.6

The assets in the scheme were (value at 31 July 2003):

	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
Equities	28.7	27.0
Bonds	15.1	15.2
Property	—	—
Cash/Other	0.4	0.6
	<u>44.2</u>	<u>42.8</u>

The net assets and profit and loss reserves of the University at 31 July 2003 were measured in accordance with the requirements of FRS17:

### Balance Sheet Presentation

	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
Net assets excluding pension asset	180.4	163.9
Pension (liability)/asset	(6.8)	(0.8)
	<u>173.6</u>	<u>163.1</u>

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

	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
Current service cost	0.6	0.9
Past service cost	—	—
	<u>0.6</u>	<u>0.9</u>

## NOTES TO THE FINANCIAL STATEMENTS



Analysis of the amount that would have been credited to other finance income	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
Expected return on pension scheme assets	3.0	3.6
Interest on pension scheme liabilities	(2.6)	(2.3)
	<hr/>	<hr/>
Net return	0.4	1.3
	<hr/>	<hr/>

Analysis of the movement in scheme surplus during the year	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
(Deficit)/surplus at 31 July	(0.8)	12.1
Current service cost	(0.6)	(0.9)
Contributions paid	0.5	0.0
Past services costs	0.0	0.0
Other finance income	3.3	1.3
Actuarial (losses)	(9.2)	(13.3)
	<hr/>	<hr/>
(Deficit) at 31 July	(6.8)	(0.8)
	<hr/>	<hr/>

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

	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
Actual return less expected return scheme assets	(0.6)	(13.5)
Experience (losses)	(3.3)	(4.6)
Gain/(Loss) in recognisable surplus	0.0	0.0
Changes in assumption underlying the present Value of scheme liabilities	(5.3)	4.8
	<hr/>	<hr/>
Actuarial loss that would have been recognised in STRGL	(9.2)	(13.3)
	<hr/>	<hr/>

(iii) Pension Cost

The total pension cost for the University was:

	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
Contributions to USS - regular cost	4,575	3,968
Contributions to ERBS	615	—
Contributions to other pension schemes	22	44
Supplementary pension costs	44	47
Early retirement pension enhancement costs	222	519
	<hr/>	<hr/>
Total pension cost	5,478	4,578
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 28 CAPITAL COMMITMENTS - Group and University

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted at 31 July	36,919	7,757
Authorised but not contracted at 31 July	30,423	76,516
	<u>67,342</u>	<u>84,273</u>

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>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Academic buildings	71	140
Student accommodation and conference facilities	7,294	690
Amenity buildings	—	15
	<u>7,365</u>	<u>845</u>

At 31 July 2003 total consolidated capital expenditure temporarily funded amounted to £39.8m.

Prior to 31 July 2003 the University set out proposals for a non-residential capital programme of investment in the physical infrastructure for academic, non-academic and student services. The programme, costing an estimated £33m, was to commence as soon as possible for completion in mid-2006. Funding of £15m will come from identified sources and a loan of £20m will be negotiated to allow for contingencies. These facilities are currently being negotiated with lenders.

### 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 Bank has indicated its intention to exercise the option in the short-term. The University has additional facilities in place to meet the liability and plans to refinance this element of its borrowings during the year to 31 July 2004.



## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 30 RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the University Council (with members 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, which require individuals to declare any interest.

The University holds a 50% shareholding in Tremough Development Vehicle Limited. (TDV). It is a joint venture company between the University and Falmouth College of Arts (FCA) 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 University and FCA receive capital grants, which are released to TDV to fund the academic development at Tremough. TDV has also begun construction of student residences (scheduled for completion by September 2004), which it will own and finance by a bank loan. The University owed £1,635k to TDV at 31 July 2003.

### NOTE 31 POST BALANCE SHEET EVENTS

In September 2003 the University entered into a guarantee in favour of Lloyds/TSB following completion of arrangements by TDV to borrow £18.6m to finance the building of student residences on the Tremough site in Cornwall. The University and Falmouth College of Arts have each guaranteed a maximum sum of £9.3m in connection with the facility.

### NOTE 32 ACCESS FUNDS

Summary of transactions for the year ended 31 July 2003

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Balance unspent at 1 August 2002	21	154
Funding Council grants	518	553
Interest earned	2	9
	<hr/>	<hr/>
	541	716
Disbursed to students	(511)	(695)
Audit fees	—	—
Administration costs	(1)	—
	<hr/>	<hr/>
Balance unspent at 31 July 2003	29	21

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.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 33 ITT TRAINING BURSARIES

#### Summary of transactions for the year ended 31 July 2003

	<b>2003 £'000</b>
Balance brought forward at 1 August 2002	152
TTA grants	2,914
	<hr/> 3,066
Disbursed to students	(2,854)
	<hr/> 212

TTA training bursaries are available solely for students; the University acts only as paying agent.

The training bursaries are therefore excluded from the Income and Expenditure Account.

### NOTE 34

#### PENINSULA MEDICAL SCHOOL – NOTE TO THE FINANCIAL ACCOUNTS 2002/03

#### INCOME AND EXPENDITURE ACCOUNT of the HE Community Chest for the year ended 31 July 2003

		<b>University of Exeter 2002/2003 £000</b>	<b>University of Plymouth 2002/2003 £000</b>	<b>Total 2002/2003 £000</b>	<b>Total 2001/2002 £000</b>
<b>INCOME</b>	<b>Notes</b>				
Funding Council grants	3	2,504	2,504	5,008	1,140
Tuition fees and education contracts		170	170	340	—
University research support		180	180	360	—
NHS – SIFT funding	4	1,020	1,020	2,040	1,296
Research grants and contracts		2,377	2,377	4,754	—
Other income	5	619	619	1,238	—
Endowment and investment income		25	25	50	43
		<hr/> 6,895	<hr/> 6,895	<hr/> 13,790	<hr/> 2,479
<b>EXPENDITURE</b>					
Staff costs		3,697	3,696	7,393	1,553
Other operating expenses		2,792	2,793	5,585	926
Depreciation	6	3	3	6	—
		<hr/> 6,492	<hr/> 6,492	<hr/> 12,984	<hr/> 2,479
<b>Total expenditure</b>		<hr/> 6,492	<hr/> 6,492	<hr/> 12,984	<hr/> 2,479
<b>Surplus on continuing operations</b>		<hr/> 403	<hr/> 403	<hr/> 806	<hr/> —

## NOTES TO THE FINANCIAL STATEMENTS



### BALANCE SHEET of the HE Community Chest as at 31 July 2003

	Notes	2003 £000	2002 £000
<b>Fixed assets</b>			
Tangible assets	6	382	96
<b>Current assets</b>			
Debtors	7	4,937	806
Cash at bank and in hand	8	512	1,269
		5,449	2,075
<b>Creditors: amounts falling due within one year</b>	9	(4,665)	(2,075)
		784	—
<b>Net current assets</b>		1,166	96
<b>Total assets less current liabilities</b>		1,166	96
<b>NET ASSETS</b>		1,166	96
<b>Deferred capital grants</b>		360	96
<b>Reserves</b>	10	806	—
<b>TOTAL</b>		1,166	96

### 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 a "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".

#### 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

## NOTES TO THE FINANCIAL STATEMENTS

Universities. These transactions are part of the audited financial statements of each University for the year ended 31 July 2003.

### 3. Funding Council grants

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Recurrent grant	1,486	—
Specific grants		
HEFCE medical capital grant	2,086	1,140
HEFCE equipment capital grant	1,416	—
Widening participation	20	—
	<u>5,008</u>	<u>1,140</u>

### 4. NHS – Service Increment for Teaching (SIFT) Funding

During the year ended 31 July 2003, £2,040k of SIFT funding was receivable to cover HE expenditure attributable to the NHS aspects of the Peninsula Medical School.

### 5. Other Income

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Other grant income	214	—
Other income	1,024	—
	<u>1,238</u>	<u>—</u>

‘Other income’ includes £286k transferred from the University of Plymouth and £100k transferred from the University of Exeter relating to activity prior to 1 August 2002. This activity took place within the postgraduate areas, which became part of PMS.

### 6. Fixed Assets

Equipment 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. Capitalised equipment is stated at cost and depreciated over its 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.



## NOTES TO THE FINANCIAL STATEMENTS

The equipment capitalised in this statement is solely acquired with funding made available from the HE Community Chest and the equipment is jointly owned by the two universities. The principal items are for telematics.

7. *Debtors*

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Debtors	745	—
Prepayments and accrued income	1,703	98
Due from NHS partners	1,297	708
Due from partner universities	1,192	—
	4,937	806

8. *Cash at Bank and In Hand*

The University of Exeter held a balance of £154k at 31 July 2003 under the agreed management arrangements. A balance of £358k was held on the 'University of Plymouth Peninsula Medical School account', which facilitates payments to suppliers.

9. *Creditors: Amounts falling due within one year*

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	122	52
Other creditors	8	—
Due to partner universities	71	596
Due to HEFCE re overpayment	478	—
Deferred income:		
HEFCE medical capital grant	—	747
HEFCE recurrent teaching Grant	1,074	478
Fees received in advance	160	110
Accruals and other deferred income	2,752	92
	4,665	2,075

10. *Reserves*

	<b>2003</b>
	<b>000</b>
Opening balance	—
Surplus for the year	806
	806
Closing balance	806



## NOTES TO THE FINANCIAL STATEMENTS

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### 11. Expenditure within the NHS

During the year ended 31 July 2003 the following expenditure relating to PMS took place within the NHS (this expenditure was not funded through the "HE Community Chest"):

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Staff costs	1,631	231
Other	237	93
	<hr/>	<hr/>
	1,868	324
	<hr/>	<hr/>