



**STATEMENT
OF ACCOUNTS
2000/2001**





SCOPE OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

This is the ninth year that the University has benefited from the cessation of the employer's contributions to the University of Exeter Retirement Benefits Scheme (ERBS). Following a full valuation on 6 April 2000 the Trustees of the scheme were notified that the scheme remained significantly in surplus. The Trustees decided to continue



CORPORATE GOVERNANCE STATEMENT

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

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

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



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 impose.



- 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



BALANCE SHEETS AS AT 31 JULY 2001

		2001 '000	2000 '000	2001 '000	2000 '000
Tangible assets	10	166,030	107,056	161,907	105,657
Investments	11	2,006	1,650	4,006	3,650
		<u>168,036</u>	<u>108,706</u>	<u>165,913</u>	<u>109,307</u>
Intangible assets	12	10,320	11,211	10,320	11,211
Stock		859	778	859	778
Debtors	13	6,637	6,839	6,561	7,605
Cash at bank and in hand		10,907	10,533	10,890	10,331
		<u>18,403</u>	<u>18,150</u>	<u>18,310</u>	<u>18,714</u>
Provisions for liabilities	14	(14,130)	(11,851)	(14,292)	(13,120)
Provisions for contingencies		4,273	6,299	4,018	5,594
Provisions for other contingencies		<u>182,629</u>	<u>126,216</u>	<u>180,251</u>	<u>126,112</u>
Provisions for other contingencies	15	(26,108)	(26,506)	(26,108)	(26,506)
		<u>156,521</u>	<u>99,710</u>	<u>154,143</u>	<u>99,606</u>
Provisions for other contingencies	17	13,232	11,679	10,857	11,679
Provisions for other contingencies	18	10,320	11,211	10,320	11,211
Revaluation reserve	19	102,812	48,669	102,812	48,669
Income and expenditure reserve	20	30,157	28,151	30,154	28,047
Total reserves		<u>132,969</u>	<u>76,820</u>	<u>132,966</u>	<u>76,716</u>
		<u>156,521</u>	<u>99,710</u>	<u>154,143</u>	<u>99,606</u>

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

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

10 December 2001

England
DEMAND THE BEST

CONSOLIDATED CASH FLOW STATEMENT
- Y a d d 31 J 2001

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

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

d) Recognition of Income

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

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

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

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

e) Taxation

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



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



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

considered to be depreciated on a straight-line basis over its useful life.

Computer equipment - 4 years

- 8 years

related grant is related, was deferred capital grant and released to income over the expected life of the period of the grant in respect of specific projects.

cb) Donated Assets

They were brought into the

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. Stocks of consumables and equipment are held at catering stores, and the University Shop. Stocks of consumables held for administration purposes and in academic schools are not reflected in the balance sheet and are therefore met from recurrent funds in the year of purchase: it is not considered that such stocks have any material effect on the income and expenditure account.



NOTES TO THE ACCOUNTS

1 **Grants received**

	2000/2001			1	/2000
	'000	'000	'000		'000
Recurrent grant	29,719	2,824	32,543		32,561
Specific grants					
HEFCE					
Institutional learning and teaching strategies	131	—	131		112
Medical capital	233	—	233		—
Others	139	—	139		92
TTA					
Numeracy skills test	—	23	23		200
Secondary subject shortage scheme	—	147	147		248
Partnership arrangements	—	34	34		32
Others	—	—	—		2
Deferred capital grants released in the year					
Buildings (note 17)	350	—	350		305
Equipment (note 17)	45	—	45		55
	<u>30,617</u>	<u>3,028</u>	<u>33,645</u>		<u>33,607</u>

2 **Fees received**

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

3 **Grants received from other sources**

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





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

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

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

	2000/01				
	'000	'000	'000	'000	'000
Academic schools	27,439	99	10,098	—	37,636
Academic services	3,078	178	2,425	—	5,681
Administration	4,224	—	3,839	—	8,063
Premises	3,459	336.53	(1,745)TJ/F168es-1,-557ERm34—	—	,4423
Residences, catering and conferences	4,808	8,124-3,567.8(1,56—)-4949.5(4,6543)]TJT*[(Research gGrants and contraces).6502.45,3769			



NOTES TO THE ACCOUNTS

The surplus on continuing operations for

The depreciation charge has been funded by:

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

	2000/01	1	/2000
	'000		'000
Repayable within 5 years, by instalments	194		386
Repayable wholly or in partly in more than 5 years	1,773		1,733
	1,967		2,119

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

	2000/01	1	/2000
	'000		'000
University's surplus for the year	670		5,195
Surplus/(deficit) generated by the subsidiary undertakings and transferred to the University under a deed of covenant	4		(32)
	674		5,163





NOTES TO THE ACCOUNTS

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

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



NOTES TO THE ACCOUNTS

10

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

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



11

	2001	2000	2001	2000
	'000	'000	'000	'000
Fine art collection	300	—	300	—
Investment in quoted stock	959	1,087	959	1,087
Investment in long term deposit	708	524	708	524
Investment in subsidi24 Osubsidi24 Osubsidi24 01 Tc[24 01 i24 01 Tc[24 0694mpanies24 34212 T—(—)Tj0.161 0.145 0.149 sc5.822				



CVCP Properties Plc

37,355 Ordinary £1 Shares fully paid (at cost)

CSM (WA) Ltd

1,750 Ordinary £1 Shares fully paid (at cost)

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

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

12	2001	2000
	'000	'000
Balance brought forward	11,211	10,680
Additions	433	446
Disposals	(528)	(503)
(Depreciation)/appreciation on disposals/revaluation	(796)	446
		£0000



14

2001 '000	2000 '000	2001	2000
--------------	--------------	------	------



NOTES TO THE ACCOUNTS

	2000	2001	2000
	'000	'000	'000
1			
1			
Land and buildings	9,756	—	9,756
Equipment	117	1,806	1,923
	9,873	1,806	11,679
Cash Received			
Land and buildings	—	2,375	2,375
Equipment	—	735	735
	—	3,110	3,110
Released to Income and Expenditure Account			
Land and buildings	(350)	—	(350)
Equipment	(45)	(1,162)	(1,207)
	(395)	(1,162)	(1,557)
31			
2001			
Land and buildings	9,406	2,375	11,781
Equipment	72	1,379	1,451
	9,478	3,754	13,232
1			
1			
		2001	2000
		'000	'000
1		11,211	10,680
Additions		63	102
(Depreciation)/appreciation of endowment asset investments		(796)	588
Income for the year		370	344
Transferred to income and expenditure account		(528)	(503)
31		10,320	11,211
2001			
Trustee Securities Pool		2,065	2,504
Institute for Arab and Islamic Studies		8,255	8,708
Other		—	(1)
		10,320	11,211

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

NOTES TO THE ACCOUNTS

21	2001	2000
Net cash inflow from operating activities	'000	'000
Surplus before tax on continuing operations after		
Depreciation of assets at valuation	674	5,163
Depreciation	4,024	3,735
Deferred capital grants released to income (note 1,3 and 4)	(1,557)	(1,503)
Endowment and investment income (note 5)	(1,415)	(1,093)
Profit on disposal of tangible fixed assets	(740)	(2,956)
Interest payable (note 8)	1,967	2,119
(Increase) in stock	(81)	(35)
Decrease/(increase) in debtors	201	(345)
Increase/(decrease) in creditors	1,978	(865)
	5,051	4,220
22	2001	2000
Net cash (outflow) from returns on investments and servicing of finance	'000	'000
Income from endowments	370	344
Income from short term investments	857	543
Other interest received	32	45
Interest paid	(1,970)	(2,094)
	(711)	(1,162)
23	2001	2000
Net cash (outflow)/inflow from capital expenditure and financial investment	'000	'000
Purchase of tangible assets	(8,367)	(6,220)
Payments to acquire long term investments	(184)	(166)
Payments to acquire endowment asset investments	(743)	(707)
Sales of tangible fixed assets	1,412	4,662
Receipts from the sale of endowment assets	528	503
Deferred capital grants received	3,110	2,447
Endowments received	63	102
	(4,181)	621



24. *Statement of Cash Flows*

	2001	2000
	'000	'000
Sale of investments	—	—
Withdrawals from deposits	—	—
Net cashflow from management of liquid resources	—	—

NOTES TO THE ACCOUNTS

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

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

(i) USS

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

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





(iii) Pension Cost

The total pension cost for the University was:

	2000/01	1	/2000
	'000		'000
Contributions to USS - regular cost	3,658		3,241
Contributions to ERBS	—		—
Contributions to other pension schemes	39		26
Supplementary pension costs	64		82
Early retirement pension enhancement costs	440		(53)
Total pension cost	4,201		3,296

2

	2001	2000
	'000	'000
Commitments contracted at 31 July 2001	4,100	3,822
Autofunded but not recognised	0.161	0.145
Autofunded but not recognised	0.89	0.89
Autofunded but not recognised	1,537	1,537
Total	4,402	4,402



NOTES TO THE ACCOUNTS

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

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

30

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

APPENDICES

Appendix 1

Summary of Transactions for the year ended 31 July 2001

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

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

Income and Expenditure Account for the year ended 31 July 2001

	2001	2000	1999
	'000	'000	'000
Income			
Funding Council Grants			
HEFCE Medical Capital Grant (iii)	233	441	674
Other income	—	10	10
Endowment and Investment Income			
Interest earned	28	—	28
	261	451	712
Expenditure			
Staff costs	216	203	419
Other operating expenses			
Equipment, fixtures and fittings	4	64	68
Marketing	—	29	29
Professional fees	2	45	47
Recruitment	17	20	37
Travel and subsistence	16	26	42
	255	387	642
Other expenses	6	64	70
	261	451	712
Surplus	0	0	0
