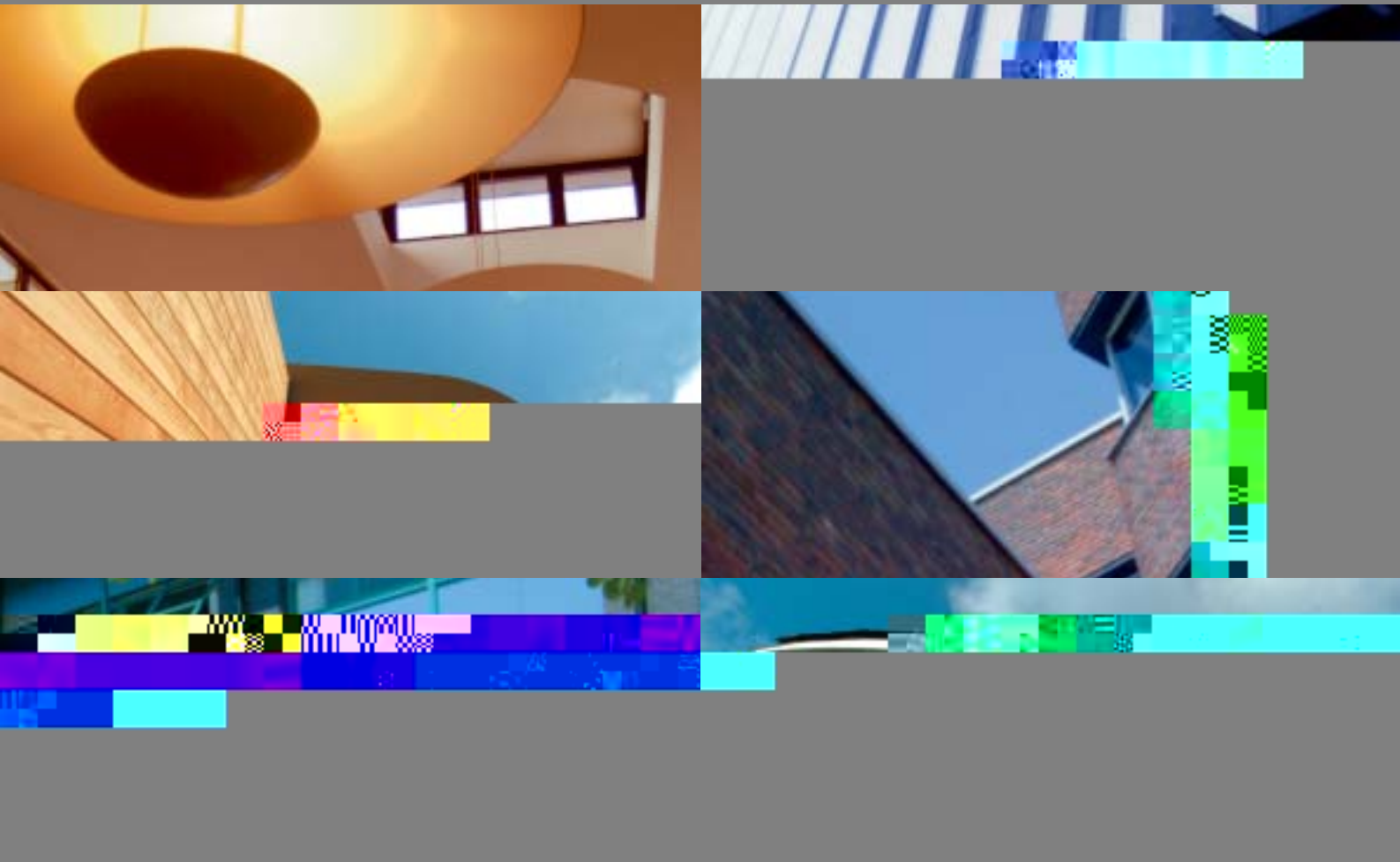


FINANCIAL STATEMENTS
2002/2003



Report of the Treasurer	1
Corporate Governance Statement	4
Responsibilities of the Council of the University	7
Report of the Auditors	9
Consolidated Income and Expenditure Account	10
Consolidated Statement of Historical Cost Surpluses	11
Statement of Consolidated Total Recognised Gains and Losses	11
Balance Sheets	12
Consolidated Cash Flow Statement	13
Statement of Principal Accounting Policies	14-16
Notes to the Financial Statements	17-42

Printed copies of the Annual Review and
the Financial Statements are available from:
Publications Office
University of Exeter
Northcote House
The Queen's Drive
Exeter EX4 4QJ

Tel: (01392) 263140
Fax: (01392) 264074

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.



REPORT OF THE TREASURER

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.

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



CORPORATE GOVERNANCE STATEMENT

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

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



CORPORATE GOVERNANCE STATEMENT

- 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.

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 short-term planning



RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY

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.

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.

2002/03

2001/02

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

	Note	2002/03 £'000	2001/02 £'000
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		—	—
Historical cost surplus for the year before taxation		<u>3,870</u>	<u>2,144</u>
Historical cost surplus for the year after taxation		<u>3,870</u>	<u>2,144</u>

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

	Note	2002/03 £'000	2001/02 £'000
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
Total recognised gains relating to the year		<u>2,075</u>	<u>201</u>
Reconciliation			
		£'000	£'000
Opening reserves and endowments		143,490	143,289
Total recognised gains for the year		<u>2,075</u>	<u>201</u>
Closing reserves and endowments		<u>145,565</u>	<u>143,490</u>

	Note	Group		University	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
Fixed assets					
Tangible assets	10	189,048	172,883	189,061	172,069
Investment	11	4,693	4,381	6,693	6,381

	Note	2002/03 £'000	2001/02 £'000
CASH INFLOW FROM OPERATING ACTIVITIES	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		(1,643)	84

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

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

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.

NOTE 1 FUNDING COUNCIL GRANTS

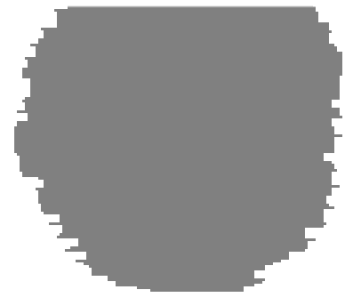
	2002/2003			2001/2002
	HEFCE	TTA	TOTAL	
	£'000	£'000	£'000	£'000
Recurrent grant	34,023	2,463	36,486	33,094
Specific grants				
HEFCE				
Medical capital and equipment	1,751	—	1,751	570
Rewarding and developing staff in HE	975	—	975	660
Reach-out to business and the community	346	—	346	300
HE Innovations 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				

NOTE 3 RESEARCH GRANTS AND CONTRACTS

	2002/03	2001/2002
	£'000	£'000
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
	12,472	12,311

NOTE 4 OTHER INCOME

	2002/03	2001/2002
	£'000	£'000
Residences, catering and conferences	18,253	17,851



NOTE 6 STAFF COSTS

	2002/03 £'000	2001/2002 £'000
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
Totals	2,270	2,139

Staff costs for the above persons:

	2002/03 £'000	2001/2002 £'000
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

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

ANALYSIS OF 2002/03 EXPENDITURE BY ACTIVITY

	Staff Costs	Other Operating Expenses	Depre- ciation	Interest Payable	Total Expenditure
--	------------------------	---	---------------------------	-----------------------------	------------------------------

NOTE 10 TANGIBLE FIXED ASSETS
Group

	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
Cost/Valuation	£'000	£'000	£'000	£'000
At 1 August 2002				
Valuation	159,175	—	—	159,175
Cost	15,193	1,313	7,596	24,102

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.

University	Land and Buildings Long		Equipment	Total
	Freehold £'000	Leasehold £'000	£'000	£'000
Valuation/Cost				
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
Depreciation				
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)
At 31 July 2003				
	8,976	258	6,882	16,116
Net Book Value				
At 31 July 2003				
	178,300	8,223	2,538	189,061
At 1 August 2002				
	169,253	1,079	1,737	172,069

NOTE 10A LAND AND BUILDINGS
Additions in Year

Group	
2003	2002
£'000	£'000

Provision of student residences

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10B LAND AND BUILDINGS

	Tenure	Main Use
Streatham Campus	Freehold	Academic Administration Sport and recreation Social Residential
St Luke's Campus	Freehold	Academic Administration Sport and recreation Social Residential
Camborne School of Mines – Campus	Long Leasehold	Academic Administration Sport and recreation Social
Camborne School of Mines – Mines	Long Leasehold	Academic
Birks Halls	Freehold	Residential
Bonhay House	Freehold	Residential
Brunel Close and Kingdom Mews	Freehold	Residential
Crossmead	Freehold	Conference centre
Chagford, Lydford and Widecombe (St. Germans)	Freehold	Residential
Duckles 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.

NOTE 11 INVESTMENTS

	Group	University
	2003	2002

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

	2003	2002
	£'000	£'000
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

NOTE 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'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
	20,195	16,212	20,628	16,445

*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	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loans	28,389	24,199	28,389	24,199
	1,353			

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 DEFERRED CAPITAL GRANTS - Group and University

	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2002			
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)
At 31 July 2003			
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

	2003 £'000	2002 £'000
At 1 August 2002		
Additions	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)
At 31 July 2003		
	9,772	8,981
Representing:		
Trustee Securities Pool	1,617	1,558
Institute for Arab and Islamic Studies	7,421	6,788
Other	734	635
	9,772	8,981



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
At 1 August 2002	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)
At 31 July 2003	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
--------------------------	---	----	----

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

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:

	USS	ERBS
Latest actuarial valuations		

NOTE 28 CAPITAL COMMITMENTS - Group and University

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

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:

	2003	2002
	£'000	£'000
Academic buildings	71	140
Student accommodation and conference facilities	7,294	690
Amenity buildings	—	15
	7,365	

NOTES TO THE FINANCIAL STATEMENTS

NOTE 33 ITT TRAINING BURSARIES

Summary of transactions for the year ended 31 July 2003

	2003 £'000
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

		University of Exeter 2002/2003 £000	University of Plymouth 2002/2003 £000	Total 2002/2003 £000	Total 2001/2002 £000
INCOME	Notes				
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
EXPENDITURE					
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
Total expenditure					
		<hr/> 6,492	<hr/> 6,492	<hr/> 12,984	<hr/> 2,479
Surplus on continuing operations		<hr/> 403	<hr/> 403	<hr/> 806	<hr/> —

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

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	6	382	96
Current assets			
Debtors	7	4,937	806
Cash at bank and in hand	8	512	

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

	2003	2002
	£000	£000
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

	2003	2002
	£000	£000
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.

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*

	2003	2002
	£000	£000
Debtors	745	—
Prepayments and accrued income	1,703	98
Due from NHS partners	1,297	708



NOTES TO THE FINANCIAL STATEMENTS

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"):

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