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## **PRINCIPAL'S REPORT**

### **For the year ended 31st July 2000**

The surplus for the year, before exceptional items, was £1.3m. In common with other universities, Edinburgh has experienced pressure on its annual surplus, as a result of expenditure rising faster than income.

The exceptional items relate to the charge to Income and Expenditure of the impairment and write-down of certain land and building assets, offset by the release of associated building grants and capital benefactions previously deferred.

Total income for the year, before exceptional items, was £275m, an increase of 4.2% over the previous year. Within this, income from Research Grants and Contracts rose by 6.5% to £70m, highlighting the University's continuing success in attracting such funds – a success all the more important in view of the impending Research Assessment Exercise (RAE) in 2001. The contribution made to the Scottish economy is also significant, and cannot be ignored.

Analysis of income from the Scottish Higher Education Funding Council (SHEFC) reveals that the funding component for Research rose by only 1.5%, reflecting the Council's increased emphasis in funding the teaching component and other specific grants. The teaching component rose by 2.7%, but both increases fell short of the increase in costs experienced both by this University and by the sector as a whole.

Total expenditure before exceptional items was £274m, an increase of 4.6% over the previous year. Within this, staff and other operating expenses (i.e. excluding depreciation and interest payable) rose by 5%. Increases in expenditure arose both out of inflationary pressures, and out of growth. Growth occurred particularly in Research, noted above, but also because of necessary strategic investment made to maintain – and enhance – the University's research quality rating ahead of next year's RAE. The RAE vitally affects the University's academic reputation and will influence the distribution of SHEFC grants over the next few years.

A particular issue in containing cost increases was that, while increasing volumes of research grant and contract funded activity contributed to the University's academic strength and to the needs of the wider economy and society, the contribution towards meeting institutional indirect costs remained static. The under-funding of indirect costs continues to be a major concern for research-oriented universities such as Edinburgh.

During the year, the University resolved to address, in a fundamental way, the challenge of adapting to the increasingly competitive climate facing higher education institutions in the 21st century. These arise as a result both of competing claims for government funds and of the options now available for the delivery of higher education made possible by rapidly developing new technology. Accordingly, we commenced negotiations to obtain long-term finance to fund what can be appropriately termed a "restructuring programme". Arrangements were finalised in November 2000 for an unsecured loan of £40 million, of which £10 million will be repaid after fifteen years and the balance between twenty-five and thirty years. The interest rate is fixed at an attractive level and the funds are available to be used as we see fit.

The intention is, of course, to invest in income-generating initiatives or measures that will yield real recurrent savings and provide improved cash generation in the longer term, in turn enhancing our capacity to invest in maintenance and development of our infrastructure. In the short term, we hope to benefit from the very welcome increase in SHEFC's budget for 2001-02, but do not anticipate this level of funding increase continuing, underlining the need for the long-term funding programme we have secured.

The fact that we have been able to attract external finance on such favourable terms is itself evidence of relative financial robustness, and I am confident that the University has all the strengths necessary, not only to cope with the difficulties that the future promises, but to emerge as a stronger and more efficient organisation, better equipped to tackle the challenges of the 21st century.

Professor Sir Stewart Sutherland  
Principal and Vice-Chancellor

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**THE UNIVERSITY OF EDINBURGH**

## **CORPORATE GOVERNANCE STATEMENT**

### **The University's Structure of Corporate Governance**

The University of Edinburgh is committed to following best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. This was complemented by the guidance provided by the Turnbull Committee Report on Internal Control published in September 1999. This Corporate Governance Statement is intended to assist the reader of the accounts to understand how the principles of corporate governance are applied in the University of Edinburgh.

By the Universities (Scotland) Act (1889), the University Court is a body corporate, with perpetual succession and a common seal. The present powers of the Court are defined in the Universities (Scotland) Act (1966) and include, inter alia, the amendment of the composition, powers and functions of bodies in the University and the creation of new bodies, the administration and management of the whole revenue and property of the University, internal arrangements of the University, appointments, review of decisions of Senatus, and, on the recommendations of Senatus, the regulation of degrees, admission and discipline of students.

The Court is responsible for the University's system of internal control and for reviewing its effectiveness. Such a 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 misstatement or loss.

The process of identifying evaluating and managing significant risk in the University commenced in March 1999 in anticipation of the requirements of the Turnbull Committee. The Court is of the view that this process has been in place for the year ended 31st July 2000 and up to the date of approval of the annual report and accounts, that it is regularly reviewed and that it accords with the internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group.

The court confirms that, to the extent that the relevant statutory provisions permit, its practices reflect the recommendations of the Guide for Members of Governing Bodies and Good Practice Benchmarks published by the Scottish Higher Education funding council, except in the following respects:

1. Membership of the Court for a period in excess of nine years and/or membership for one complete term beyond the retirement age can be appropriate in cases where an individual has a particularly valuable contribution to make to the work of the Court; and
2. The court's formal powers to remove members are confined to the members it itself co-opts and do not apply to ex officio members or to those appointed by other bodies.

The University's Court meets seven times a year and has several committees, including a Finance and General Purposes Committee, a Nominations Committee, a Remuneration Committee, a Staff Committee and an Audit Committee. Each of these Committees is formally constituted with terms of reference and includes lay members of the Court. There is also a Central Management Group (CMG) that consists of senior academic and administrative managers who advise the Principal on senior management decisions.

The **Finance and General Purposes Committee** oversees the University's financial affairs on behalf of the Court. This includes the design of the planning and budgeting process, approval of the resulting plan and budget in the context of the University's overall strategy and ensuring adequate monitoring thereafter.

The **Nominations Committee** considers nominations for co-opted vacancies in Court membership and for Court's nominations on the Curators of Patronage. It also receives annually lists of members of Court, Standing Committees of the Court and of the Court's representatives on outside bodies, and makes recommendations to Court on such matters.

### **Reports 1999/2000**

## **CORPORATE GOVERNANCE STATEMENT**

The **Remuneration Committee** considers the salary of the Principal and advises the Court as appropriate. It also advises the Principal with regard to his responsibilities for setting professorial and equivalent academic and academic related salaries.

The **Staff Committee** provides guidance on the development of staff policy and monitors the implementation of such policies. It also acts as the formal management route for local negotiation and consultation with recognised trade unions.

The **Central Management Group (CMG)** is a non-statutory body which plays an important part in the internal governance and academic operations of the University. It is the senior body for management decisions whose members are, between them, responsible and accountable for all components of the University's budget, both income and expenditure. CMG brings together the academic, financial, personnel and accommodation aspects of planning and the members of the body are named on page 8. It reports through the Academic Policy Committee to Senatus and through the Finance and General Purposes Committee to Court.

The **Audit Committee** meets four times a year, with the University's internal and external auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. It has authority to investigate any matters within its terms of reference. Whilst senior administrative officers attend meetings of the Audit Committee as necessary, they are not members of the Committee. Once a year the Committee, normally through the Chairman, meets the Internal and External Auditors on their own for independent discussions.

The Audit Committee also receives regular reports from the Internal and External auditors which include recommendations for improvements in internal control. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The emphasis is on obtaining the relevant degree of assurance and not merely reports of exceptions. The Court receives the minutes of each Audit Committee meeting and an annual report of its proceedings.

### **Internal Control**

The process of identifying evaluating and managing significant risk in the University commenced in March 1999, in anticipation of the requirements of the Turnbull Committee, by means of a control risk self-assessment questionnaire completed by senior University staff. Following this, CMG were instructed by the Court to carry out an initial review of procedures for risk appraisal. They concluded that risk analysis was a fundamental management responsibility and that risk should be considered in terms of three criteria:

- improving management techniques;
- taking action to reduce risk; and
- minimising the effort involved.

The specific risks identified were referred to relevant officers to consider the action needed and report back.

The Court believes that this process is consistent with the internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group.

Court has carried out an assessment of corporate governance for the year ended 31 July 2000 by considering documentation from senior management; internal and external audit; and taking account of events since 31 July 2000.

### **Reports 1999/2000**

## **RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF EDINBURGH**

In accordance with the Universities (Scotland) Acts 1858-1966, the Court of the University of Edinburgh 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 Court is responsible for keeping proper accounting records which disclose, with reasonable accuracy, the financial position of the University at any time and enable it to ensure that the financial statements are prepared in accordance with the Universities (Scotland) Acts 1858-1966, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Higher Education Funding Council and the Court of the University of Edinburgh, the University Court, through its designated office holder, 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 Court 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; and
- financial statements are prepared on the going concern basis.

The Court has taken reasonable steps to:

- ensure that funds from the Scottish Higher Education Funding Council 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 hence to take reasonable steps to prevent and detect fraud; and
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure.

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## **RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF EDINBURGH OTHER DISCLOSURES**

### **DISABILITY POLICY**

The University recently adopted a Disability Policy covering staff, students and members of the public, and this policy states “ The University of Edinburgh is committed to a policy of equal opportunities for disabled staff and students and aims to create an environment which enables them to participate fully in the mainstream of University life”.

In relation to staff the University’s policy, wherever practical is to:

- seek to employ disabled people in jobs suited to their aptitudes, abilities and qualifications;
- seek to ensure that disabled employees are considered for promotion according to their aptitudes, abilities and qualifications;
- ensure that disabled people are not disadvantaged when the renewal of fixed-term contracts is being considered; and
- make use of the services and advice offered by the Employment Service wherever appropriate so as to make it possible to recruit a disabled person or retain an existing employee who has become disabled.

Currently 14 of our 6500 staff have declared that they have a disability. We believe that this represents under-reporting, although the numbers are difficult to quantify.

### **POLICY AND PRACTICE ON PAYMENT OF SUPPLIERS**

The University has published standard terms and conditions of trade that will apply to payments to suppliers unless other terms and conditions are agreed prior to business taking place. The University’s policy is to pay agreed invoices in accordance with these agreed terms of payment. At the year end the amount due to trade creditors was equivalent to 29 days of purchases from suppliers.

## **MEMBERSHIP OF THE COURT OF THE UNIVERSITY OF EDINBURGH AND ITS MAIN COMMITTEES**

### **Court Membership**

Membership of the University Court covering the period of these financial statements was as follows:-

The Rector (Convenor), Mr John Colquhoun (to 2/3/00), Mr Robin Harper (from 3/3/00)  
The Principal and Vice-Chancellor, Professor Sir Stewart Sutherland  
The Chancellor's Assessor, The Rt. Hon. Lord Cameron of Lochbroom

### **General Council Assessors**

Professor J M M Cunningham  
Mrs C M Vaughan Griffiths  
Mr R D D Bertram

### **Senatus Academicus Assessors**

Professor L A M Waterhouse  
Professor I M L Donaldson  
Professor S J Brown  
Mr A S McKirdy

### **City of Edinburgh Council Assessor**

The Right Hon. Eric Milligan, Lord Provost of the City of Edinburgh (to 31/5/00)  
Councillor P Williamson (from 1/6/00)

### **Co-opted Members**

Dr D B B Smith (Vice-Convener)  
Miss E A Mackay  
Mr J Fiddes  
Mr J Stretton  
Sir John Shaw  
Mr P Stillwell  
Professor A D Milne  
Mr A J Gavin

### **Non-Teaching Staff Assessor**

Mrs M Jackson

### **Student Members**

Mr G McAulay (to 30/6/00)  
Mr T J Hopkins (to 30/6/00)  
Mr D Hannard (from 1/7/00)  
Ms D Gostling (from 1/7/00)



## **MEMBERSHIP OF THE COURT OF THE UNIVERSITY OF EDINBURGH AND ITS MAIN COMMITTEES**

### **Standing Committees of the University Court**

Finance and General Purposes Committee  
Remuneration Committee  
Nominations Committee  
Audit Committee  
Health and Safety Committee  
Personal Chairs Committee  
Staff Committee  
University Collections Advisory Committee

### **Membership of the main committees of Court**

#### **Finance and General Purposes Committee**

Convener: Dr D B B Smith

The Principal  
Mr D Hannard (SRC President) (from 1/7/00)  
Mr G McAulay (SRC President) (to 30/6/00)  
Dr M J B Lowe, Secretary to the University  
Mr G O Sutherland, Director of Finance  
Mr A J Gavin  
Miss E A Mackay  
Sir John Shaw  
Vice-Principal Professor R N Ibbett  
Mr A S McKirdy

#### **Remuneration Committee**

The Principal  
Dr D B B Smith  
Mr J Stretton

#### **Nominations Committee**

Convener: Dr D B B Smith

The Principal  
Mr A S McKirdy  
Dr M J B Lowe  
Miss E A Mackay  
Professor J M M Cunningham

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## MEMBERSHIP OF THE COURT OF THE UNIVERSITY OF EDINBURGH AND ITS MAIN COMMITTEES

### Staff Committee

Convenor: Vice-Principal Professor M Anderson  
Vice-Convenor: Professor H W Whittington  
Ms S Eden  
Mr P Stillwell  
Ms J Draper  
Professor D R Ladd  
Mr R A Porrer  
Professor J H Phillips  
Miss S Cannell  
Professor R Jeffrey  
Dr J Martin  
Dr A Jarman  
Professor L Waterhouse  
Ms E MacArthur, Director of Personnel

### Audit Committee

Convenor: Professor J M M Cunningham  
  
Mr G Marshall  
Professor A D Milne  
Mr J Stretton  
Mr D A Ross Stewart  
Mr M G Murray

### Membership of the Central Management Group

Convenor: The Principal  
  
Vice-Principal Professor R N Ibbett  
Vice-Principal Dr G R Field  
Vice-Principal Professor M Anderson  
Vice-Principal Professor A Brown  
Vice-Principal Professor G S Boulton  
Assistant Principal Dr D E S Truman  
Dr F D Dow  
Professor A P Cohen  
Professor C C Bird  
Professor W G Hill  
Professor G Kirk  
Dr M J B Lowe

## **AUDITORS' REPORT TO THE COURT OF THE UNIVERSITY OF EDINBURGH**

We have audited the financial statements on pages 11 to 36 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 11 to 13.

### **Respective Responsibilities of the Court and Auditors**

The University Court is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Scottish Higher Education Funding Council and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Scottish Higher Education Funding Council.

We also report to you if, in our opinion, the Principal's Report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require in our audit.

We read the other information contained in the Principal's report and Corporate Governance statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of our Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Court 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 us reasonable assurance that the financial statements are free from material mis-statement, 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.

**Reports 1999/2000**

**THE UNIVERSITY OF EDINBURGH**

**AUDITORS' REPORT TO THE COURT  
OF THE UNIVERSITY OF EDINBURGH**

**Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the affairs of the University and the Group at 31 July 2000 and of the Group's income and expenditure for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and in accordance with the Universities (Scotland) Acts 1858-1966;
- income from the Scottish Higher Education Funding Council grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;
- income has been applied in accordance with the Universities (Scotland) Acts 1858-1966 governing the University and, where appropriate, with the Financial Memorandum dated 1 August 1996 (incorporating 1998 revisions) with the Scottish Higher Education Funding Council.

Ernst & Young  
Registered Auditor  
Edinburgh  
18 December 2000

**Financial Statements 1999/2000**

**THE UNIVERSITY OF EDINBURGH**

## STATEMENT OF ACCOUNTING POLICIES

### 1 Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and Land and Buildings, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) and applicable Accounting Standards.

### 2 Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University and all subsidiary undertakings including quasi subsidiaries (the Group) for the financial year to 31 July. A list of the subsidiary undertakings is included in note 13.

The consolidated financial statements do not include those of the University of Edinburgh Students' Association as it is a separate charity in which the University has no financial interest and no control or significant influence over policy decisions.

### 3 Recognition of Income

Income from Specific Endowments and Donations, Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and General Endowments is credited to the Income and Expenditure Account on a receivable basis.

### 4 Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal amounts over the periods of the leases.

### 5 Land and Buildings

Land and buildings held by the University at 1 August 1999 are stated at valuations performed as at that date by Messrs Gerard Eve, Chartered Surveyors. The majority of buildings were valued on the depreciated replacement cost basis. Certain other buildings, mainly residential accommodation, retail properties and land were valued on existing use or open market value bases. The University intends in the future to meet the requirements of FRS 15, Tangible Fixed Assets, by a rolling programme of partial revaluations on an annual basis within the required five year cycle.

Additions since 1 August 1999 are shown at cost. Depreciation on buildings has been provided at a rate of 1.25% on the basis of an assessment of the remaining useful life of the buildings. No depreciation is provided on land.

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.

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## STATEMENT OF ACCOUNTING POLICIES

### Land and Buildings (continued)

All land and buildings are included in the balance sheet with the exception of the New College Divinity complex on the Mound which is regarded as inalienable and two farms which form part of agricultural tenancies.

### 6 Equipment

Equipment, including micro-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. Capitalised equipment is stated at cost and depreciated over a four year period.

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 a four year period.

Donated equipment is capitalised at depreciated replacement cost at the date of receipt and is depreciated over a four year period.

Certain subsidiaries provide different rates of depreciation to that of the parent. These have an immaterial effect on the results of the group.

### 7 Investments

Endowment Asset Investments are included in the Balance Sheet at market value. Temporary deposits are included at cost.

### 8 Stocks

Stocks for resale and other stocks are included at the lower of cost and net realisable value.

### 9 Maintenance of Premises

The University has a five year rolling maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the income and expenditure account as incurred.

### 10 Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income and expenditure account.

### 11 Taxation Status

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 the Income and Corporation Taxes Act 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 Taxes Act 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. The University receives no similar exemption in respect of Value Added Tax.

## STATEMENT OF ACCOUNTING POLICIES

### 12 Pension Accounting Policy

The University and certain subsidiaries participate in four separately administered, externally funded, defined benefit pension schemes, all of which are contracted out of the State Earnings-Related Pension Scheme. The schemes are:

- Universities Superannuation Scheme (USS)
- University of Edinburgh Staff Benefits Scheme (EUSBS)
- The Scottish Teachers Superannuation Scheme (STSS)
- Strathclyde Pension Fund (SPF)

Each fund is valued every three years by independent actuaries. Additionally, the actuaries review the progress of the USS in each of the intervening years. Contributions are charged in the Income and Expenditure Account so as to spread the cost of providing pensions over the employees' working lives within the organisation. The regular cost is attributed to individual years using the projected unit credit method.

Variations in pension costs as a result of actuarial valuations or premature retirement schemes are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the Income and Expenditure Account are treated as provisions in the balance sheet.

The University also contributes to The Federated Superannuation System (FSSU), a defined contribution pension scheme which is not contracted out of the State Earnings-Related Pension Scheme. Contributions are charged in the Income and Expenditure Account as they become payable in accordance with the rules of the schemes. A small number of subsidiary company employees are members of other defined contribution schemes. Contributions are charged in the Income and Expenditure Account in the year in which they become payable.

**GROUP INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 July 2000**

	Note	Pre Exceptional Items £ 000's	Exceptional Items (notes 1, 4 & 12) £ 000's	Post Exceptional Items 2000 £ 000's	1999 £ 000's
<b>INCOME</b>					
Funding council grants	1	104,423	340	104,763	99,234
Academic fees and support grants	2	39,124	–	39,124	37,444
Research grants and contracts	3	70,083	–	70,083	65,817
Other operating income	4	54,204	2,719	56,923	54,040
Endowment income and interest receivable	5	7,093	–	7,093	7,362
<b>Total Income</b>		<u>274,927</u>	<u>3,059</u>	<u>277,986</u>	<u>263,897</u>
<b>EXPENDITURE</b>					
Staff costs	6	164,902	–	164,902	153,482
Other operating expenses	8	97,401	–	97,401	96,373
Depreciation	12	9,112	–	9,112	9,329
Impairment of fixed assets	12	–	16,349	16,349	–
Interest payable	9	2,223	–	2,223	2,338
<b>Total Expenditure</b>		<u>273,638</u>	<u>16,349</u>	<u>289,987</u>	<u>261,522</u>
<b>(DEFICIT)/SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT VALUATION AND BEFORE TAX</b>					
		1,289	(13,290)	(12,001)	2,375
Taxation	10	3	–	3	2
<b>(DEFICIT)/SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT VALUATION AND TAX</b>					
		<u>1,286</u>	<u>(13,290)</u>	<u>(12,004)</u>	<u>2,373</u>
Minority Interest		8	–	8	(2)
<b>(DEFICIT)/SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR</b>					
	11	<u>1,278</u>	<u>(13,290)</u>	<u>(12,012)</u>	<u>2,375</u>

The notes on pages 19-36 form part of the Financial Statements



**GROUP STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS**  
**For the year ended 31 July 2000**

	Note	Pre Exceptional Items £ 000's	Exceptional Items £ 000's	Post Exceptional Items 2000 £ 000's	1999 £ 000's
(DEFICIT)/SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION AND BEFORE TAX		1,289	(13,290)	(12,001)	2,375
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	23	3,722	–	3,722	3,666
Realisation of revaluation gains of previous years	23	2,134	–	2,134	170
Difference between historic cost of impairment charge and the actual impairment charge for the year calculated on the revalued amount	23	–	8,842	8,842	–
<b>HISTORICAL COST SURPLUS/(DEFICIT) BEFORE TAXATION</b>		<u>7,145</u>	<u>(4,448)</u>	<u>2,697</u>	<u>6,211</u>
<b>HISTORICAL COST SURPLUS/(DEFICIT) AFTER TAX AND MINORITY INTEREST ATTRIBUTABLE TO THE UNIVERSITY</b>		<u>7,134</u>	<u>(4,448)</u>	<u>2,686</u>	<u>6,211</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 July 2000**

	Note	Pre Exceptional Items £ 000's	Exceptional Items £ 000's	Post Exceptional Items 2000 £ 000's	1999 £ 000's
(DEFICIT)/SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR		1,278	(13,290)	(12,012)	2,375
Appreciation on endowment asset investment	14	3,629	–	3,629	8,879
Unrealised surplus on revaluation of tangible fixed assets	22	21,259	–	21,259	–
Endowment income (released)/retained		(4,850)	–	(4,850)	3,397
<b>TOTAL GAINS/(LOSSES) RECOGNISED DURING CURRENT YEAR</b>		<u>21,316</u>	<u>(13,290)</u>	<u>8,026</u>	<u>14,651</u>
Reconciliation:					
Opening reserves and endowments at 1 August 1999				569,777	
Total recognised gains and losses for the year				8,026	
Closing reserves and endowments at 31 July 2000				<u>577,803</u>	

**Financial Statements 1999/2000**

**THE UNIVERSITY OF EDINBURGH**

**BALANCE SHEETS**  
**As at 31 July 2000**

	Note	Group		University	
		2000 £ 000's	1999 £ 000's	2000 £ 000's	1999 £ 000's
<b>FIXED ASSETS</b>					
Tangible assets	12	550,012	520,926	546,330	516,007
Investments	13	490	632	3,024	5,001
		<u>550,502</u>	<u>521,558</u>	<u>549,354</u>	<u>521,008</u>
<b>ENDOWMENT ASSET INVESTMENTS</b>	14	<u>163,246</u>	<u>164,495</u>	<u>163,246</u>	<u>164,495</u>
<b>CURRENT ASSETS</b>					
Stocks and stores in hand		2,184	2,129	1,456	1,438
Debtors	15	43,487	32,243	46,692	34,242
Cash at bank and in hand	29	22,080	31,599	16,803	24,192
		<u>67,751</u>	<u>65,971</u>	<u>64,951</u>	<u>59,872</u>
<b>CREDITORS: Amounts falling due   within one year</b>	16	(66,242)	(56,753)	(65,570)	(53,513)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>1,509</u>	<u>9,218</u>	<u>(619)</u>	<u>6,359</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		715,257	695,271	711,981	691,862
<b>CREDITORS: Amounts falling due   after more than one year</b>	17	(22,513)	(23,812)	(20,264)	(21,571)
<b>PROVISIONS FOR LIABILITIES AND   CHARGES</b>	19	(6,745)	(6,456)	(6,745)	(6,456)
<b>TOTAL NET ASSETS</b>		<u><u>685,999</u></u>	<u><u>665,003</u></u>	<u><u>684,972</u></u>	<u><u>663,835</u></u>

**BALANCE SHEETS**  
**As at 31 July 2000**

	Note	Group		University	
		2000 £ 000's	1999 £ 000's	2000 £ 000's	1999 £ 000's
Represented by:					
DEFERRED CAPITAL GRANTS	20	108,157	95,195	107,823	94,411
ENDOWMENTS					
Specific	21	160,797	162,081	160,797	162,081
General	21	3,280	3,217	3,280	3,217
		164,077	165,298	164,077	165,298
RESERVES					
Revaluation reserve	22	316,624	310,063	316,624	310,063
General reserves	23	97,102	94,416	96,448	94,063
		413,726	404,479	413,072	404,126
MINORITY INTERESTS		39	31	–	–
TOTAL FUNDS		685,999	665,003	684,972	663,835

The financial statements on pages 11 to 36 were adopted by Court on 18th December 2000 and were signed on its behalf by:

Professor Sir Stewart Sutherland

Principal

D B B Smith

Vice Convenor  
of the University Court

G O Sutherland

Director of Finance

**Financial Statements 1999/2000**

**THE UNIVERSITY OF EDINBURGH**

**GROUP CASH FLOW STATEMENT**  
**For the year ended 31 July 2000**

	Note	2000 £'000	1999 £'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	24	(3,734)	2,483
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25	4,461	5,074
TAXATION	10	(3)	(2)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	26	(9,119)	(25,163)
MANAGEMENT OF LIQUID RESOURCES	27	5,547	18,000
FINANCING	28	(1,124)	(1,031)
DECREASE IN CASH IN THE PERIOD	29	<u>(3,972)</u>	<u>(639)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS			
Decrease in cash in the period		(3,972)	(639)
Cash inflow from decrease in liquid resources		(5,547)	(18,000)
Change in net debt resulting from cashflows		<u>1,124</u>	<u>1,031</u>
Movement in net funds for the period	29	(8,395)	(17,608)
Net funds at 1 August 1999	29	6,683	24,291
Net (debt)/funds at 31 July 2000	29	<u>(1,712)</u>	<u>6,683</u>

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

	2000 £ 000's	1999 £ 000's
<b>1 FUNDING COUNCIL GRANTS</b>		
Recurrent grant		
Teaching	63,012	61,354
Research	34,511	34,006
Specific grants		
Continuing education	116	156
Equipment grant	–	168
Information systems	1,365	719
Other	4,335	1,762
Deferred capital grants released in year		
Buildings (note 20)	1,092	497
Equipment (note 20)	332	572
	104,763	99,234
Deferred capital grants released in respect of buildings include an Exceptional Item of £340,000 in respect of properties on which revaluation deficits have been charged to expenditure in the year.		
<b>2 ACADEMIC FEES AND SUPPORT GRANTS</b>		
UK and EU Higher Education Students	21,017	20,280
Full-time students charged overseas fees	12,519	12,050
Research training support grants	969	978
Short course and other fees and support grants	4,619	4,136
	39,124	37,444
<b>3 RESEARCH GRANTS AND CONTRACTS</b>		
Grants		
Research councils	23,767	23,861
UK based charities	19,544	17,962
UK central government bodies, local and health authorities	12,698	10,588
UK industry, commerce and public corporations	5,149	4,825
EU government bodies	4,728	5,270
EU other	543	402
Other overseas	3,145	2,491
Other sources	509	418
	70,083	65,817
Less: direct costs	(62,033)	(57,811)
Contribution towards indirect costs	8,050	8,006

Deferred capital grants:

Research income of £699,000 (1999 - £301,000) has been deferred (see note 20) to match purchases of items of equipment costing in excess of £25,000 which have been capitalised. The income includes Deferred Capital Grants Released during the year of £1,155,000 (see note 20, 1999- £1,213,000). The above excludes income of £1,310,000 (1999 - £1,350,000) in respect of the Imperial Cancer Research Fund. The research programme for the ICRF is carried out by the Medical Oncology Unit, within the University's Department of Clinical Oncology at the Western General Hospital, Edinburgh.

**Financial Statements 1999/2000**

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

	2000	1999
	<u>£ 000's</u>	<u>£ 000's</u>
<b>4 OTHER OPERATING INCOME</b>		
Residences, Catering and Conferences	18,021	16,009
Other services rendered	25,349	26,283
Health Authorities	1,121	1,757
Released from deferred capital grants		
Buildings (note 20)	3,345	545
Equipment (note 20)	514	496
Other Income	<u>8,573</u>	<u>8,950</u>
	<u>56,923</u>	<u>54,040</u>
Deferred capital grants released in the year in respect of buildings include an Exceptional Item of £2,719,000 in respect of properties on which revaluation deficits have been charged to expenditure in the year.		
<b>5 ENDOWMENT INCOME AND INTEREST RECEIVABLE</b>		
Specific endowment income (note 21)	5,781	4,686
General endowment income (note 21)	109	88
Other interest receivable	<u>1,203</u>	<u>2,588</u>
	<u>7,093</u>	<u>7,362</u>
<b>6 STAFF</b>	2000	1999
	<u>Number</u>	<u>Number</u>
Staff numbers (expressed as full time equivalents) were as follows :		
Academic and Related	3,021	2,974
Clerical	1,104	1,070
Manual	908	873
Technical	<u>742</u>	<u>748</u>
	<u>5,775</u>	<u>5,665</u>
	2000	1999
	<u>£ 000's</u>	<u>£ 000's</u>
Staff costs:		
Salaries and Wages	137,433	128,085
Social security costs	10,800	9,955
Funded pension costs (note 30)	14,690	13,427
Severance costs and unfunded pensions	<u>1,979</u>	<u>2,015</u>
	<u>164,902</u>	<u>153,482</u>
	2000	1999
	<u>£ 000's</u>	<u>£ 000's</u>
Staff cost analysis:		
Teaching and Research	117,649	109,495
Library, computer and other academic services	11,079	10,441
Administration and central services	13,319	12,288
Premises	7,577	7,043
Residences and catering operations	5,984	5,040
Other including income generating operations	7,315	7,160
Severance costs and unfunded pensions	<u>1,979</u>	<u>2,015</u>
	<u>164,902</u>	<u>153,482</u>

**Financial Statements 1999/2000**

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

7 SENIOR POST HOLDERS

Remuneration of higher paid staff, excluding employer's pension contributions but including 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. The number of staff, including senior post-holders and the principal, who received emoluments in the following ranges was:

	2000 <u>Number</u>	1999 <u>Number</u>
£50,000 - £59,999	86	101
£60,000 - £69,999	67	31
£70,000 - £79,999	22	25
£80,000 - £89,999	17	18
£90,000 - £99,999	5	–
£100,000 - £109,999	12	15
£110,000 - £119,999	1	–
£120,000 - £129,999	4	6
£130,000 - £139,999	–	–
£140,000 - £149,999	–	1
£150,000 - £159,999	1	–
	<u>215</u>	<u>197</u>

	2000 <u>£ 000's</u>	1999 <u>£ 000's</u>
Emoluments of the Principal	<u>156</u>	<u>149</u>

The emoluments of the Principal include benefits in kind but exclude the University's pension contribution's to the USS which are paid at the same rate as for other academic staff and amounted to £22,005 (1999 – £20,940).

	2000 <u>£ 000's</u>	1999 <u>£ 000's</u>
Compensation for loss of office paid to senior members of staff earning in excess of £50,000 per annum or whose compensation arrangement exceeded £75,000.		
Payments to USS for enhanced pension benefits	219	13
Other payments in respect of loss of office	<u>13</u>	<u>2</u>
	<u>232</u>	<u>15</u>

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

	2000 £000's	1999 £ 000's
<b>8 OTHER OPERATING EXPENSES</b>		
Equipment and furniture not capitalised	13,711	13,855
Residences, catering and conferences operating expense	8,041	6,264
Repairs and general maintenance	7,754	7,597
Heat, light, water and power	4,988	4,549
Printing, stationery and office expenses	3,940	4,186
Computer software and supplies	1,262	1,565
Consumables and laboratory expenditure	2,899	2,154
Contributions to other bodies	2,131	2,228
Travel, subsistence and accommodation	5,105	4,880
Research travel	2,297	2,246
Books and periodicals	2,408	2,443
Lecturers' fees and student demonstrators	1,785	1,699
Postgraduate studentships and other assistance	2,547	2,429
Fellowships, scholarships and prizes	1,655	1,586
Grants to University of Edinburgh Students' Association	1,325	1,426
Fees charged by External Auditors		
Audit	63	65
Non-Audit Services	65	93
Bad debt provision	286	402
Other services	1,507	1,399
Other research expenses	19,839	18,241
Other expenses	12,747	17,066
Loss on disposal of tangible fixed assets	1,046	-
	97,401	96,373
<b>9 INTEREST PAYABLE</b>		
Bank and other loans	1,890	1,983
Finance leases	333	355
	2,223	2,338
<b>10 TAXATION</b>		
UK corporation tax on subsidiaries' profits	3	2
	3	2
<b>11 (DEFICIT)/SURPLUS FOR THE YEAR</b>		
The Group (deficit)/surplus for the period is made up as follows:		
University's (deficit)/surplus for the period excluding surpluses covenanted to the University by subsidiaries	(12,430)	1,537
Surplus generated by subsidiary undertakings	418	838
Total	(12,012)	2,375



**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

## 12 TANGIBLE ASSETS

**Group**

	Land & Buildings £ 000's	Equipment £ 000's	Total £ 000's
Cost or valuation			
As at 1 August 1999	564,467	22,191	586,658
Revaluation adjustment	(24,747)	–	(24,747)
Additions at cost	34,293	1,502	35,795
Disposals	(2,676)	(10)	(2,686)
As at 31 July 2000	<u>571,337</u>	<u>23,683</u>	<u>595,020</u>
Depreciation			
As at 1 August 1999	48,272	17,460	65,732
Written back on Revaluation	(46,006)	–	(46,006)
Impairment of Fixed Assets	16,349	–	16,349
Charge for the year	6,361	2,751	9,112
Disposals	(173)	(6)	(179)
As at 31 July 2000	<u>24,803</u>	<u>20,205</u>	<u>45,008</u>
Net book value			
As at 31 July 2000	<u>546,534</u>	<u>3,478</u>	<u>550,012</u>
As at 31 July 1999	<u>516,195</u>	<u>4,731</u>	<u>520,926</u>

All land and buildings are held on a freehold basis with the exception of a portion of land which is subject to a lease for a period of 999 years. This land was capitalised at a market value of £170,000.

Under FRS 11, Impairment of Fixed Assets and Goodwill, a charge of £10,081,000 has been recognised in the accounts. This, together with a further charge of £6,268,000 in respect of the write-down of other assets following the revaluation, comprise the Exceptional Item charge of £16,349,000.

The net book value of tangible fixed assets includes an amount of £1,851,000 (1999 - £1,931,000) in respect of buildings fixtures and fittings held under finance leases. The depreciation charge on these assets for the year was £79,000 (1999 - £87,000).

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

## 12 TANGIBLE ASSETS (continued)

**University**

	Land & Buildings £ 000's	Equipment £ 000's	Total £ 000's
Cost or valuation			
As at 1 August 1999	560,157	20,907	581,064
Revaluation adjustment	(24,747)	–	(24,747)
Additions at cost	34,287	1,447	35,734
Disposals	(2,676)	–	(2,676)
As at 31 July 2000	<u>567,021</u>	<u>22,354</u>	<u>589,375</u>
Depreciation			
As at 1 August 1999	48,090	16,967	65,057
Written back on Revaluation	(46,006)	–	(46,006)
Impairment of Fixed Assets	15,281	–	15,281
Charge for the year	6,298	2,588	8,886
Disposals	(173)	–	(173)
As at 31 July 2000	<u>23,490</u>	<u>19,555</u>	<u>43,045</u>
Net book value			
As at 31 July 2000	<u>543,531</u>	<u>2,799</u>	<u>546,330</u>
As at 31 July 1999	<u>512,067</u>	<u>3,940</u>	<u>516,007</u>

Land and buildings were revalued at 1st August 1999 by Messrs Gerard Eve, Chartered Surveyors in accordance with the requirements of FRS 15, Tangible Fixed Assets. Because of their specialised nature the majority of the buildings were revalued on the Depreciated Replacement Cost basis. Certain other buildings – mainly residential accommodation, retail properties and land were valued on existing use or open market bases as appropriate. The revaluation led to a write back of depreciation provided since 1990 of £46,006,000 offset by an adjustment to the costs and valuations at which the buildings were previously stated of £24,747,000. This represented a net increase in the book value of land and buildings held at 1st August 1999 of £21,259,000 (see note 22).

There is a standard security over various properties belonging to the University which has been granted as part of loan arrangements. There are no other restrictions on the realisation of assets represented by University land and buildings apart from those set out in the Financial Memorandum with the Scottish Higher Education Funding Council.

**Net book value historical cost equivalent**

	Group		University	
	2000 £ 000's	1999 £ 000's	2000 £ 000's	1999 £ 000's
Land and buildings	229,903	206,125	226,900	201,997
Equipment	3,478	4,514	2,799	3,940
	<u>233,381</u>	<u>210,639</u>	<u>229,699</u>	<u>205,937</u>

The group depreciation charge has been matched by:

	Group	
	2000 £ 000's	1999 £ 000's
Deferred capital grants released (note 20)	3,379	3,324
Revaluation reserve transferred to general reserves	3,722	3,666
Earnings in subsidiaries	226	235
General income	1,785	2,104
	<u>9,112</u>	<u>9,329</u>

**Financial Statements 1999/2000**

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

	Group		University	
	2000 £ 000's	1999 £ 000's	2000 £ 000's	1999 £ 000's
13 INVESTMENTS				
Investment in subsidiary companies at cost	–	–	358	358
Loans to subsidiary companies	–	–	2,246	4,123
Loan to The Scottish Agricultural College	290	381	290	381
Other investments	200	251	130	139
	<u>490</u>	<u>632</u>	<u>3,024</u>	<u>5,001</u>

**Subsidiary Undertakings**

The following material subsidiary undertakings which are registered in Scotland and operate in the United Kingdom have been consolidated:

- Edinburgh Research and Innovation Limited which is wholly owned by the university and limited by guarantee;
- Edinburgh University Press Limited of which the university owns 100 per cent of the issued share capital of 357,482 ordinary shares of £1 each;
- Edinburgh Technopole Company Limited of which the university owns 100 per cent of the issued share capital of 2 ordinary shares of £1 each;
- University of Edinburgh Accommodation Limited of which the university owns 100 per cent of the issued share capital of 2 ordinary shares of £1 each;
- U.O.E. Trading Limited of which the University owns 100 per cent of the share capital of 2 ordinary shares of £1 each;
- Edinburgh Technology Fund Limited of which the university owns 100 per cent of the issued share capital of 6,000 "A" ordinary Shares of £1 each; and
- University of Edinburgh Development Trust, a charity registered in Scotland, Registered Charity No. SC004307. The trust is classed as a "Quasi-subsiary" of the University under the guidelines of FRS 5, "Reporting the Substance of Transactions".

	Group and University		
	Specific £ 000's	General £ 000's	Total £ 000's
14 ENDOWMENT ASSETS			
As at 1 August 1999	161,288	3,207	164,495
Additions (note 26)	2,159	1	2,160
Disposals (note 26)	(7,038)	–	(7,038)
Appreciation on realisation and revaluation	3,558	71	3,629
As at 31 July 2000	<u>159,967</u>	<u>3,279</u>	<u>163,246</u>

**Financial Statements 1999/2000**

**THE UNIVERSITY OF EDINBURGH**

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

	2000		1999	
	£ 000's		£ 000's	
14 ENDOWMENT ASSETS (continued)				
Endowment asset investments are comprised of:				
Fixed interest stocks			36,716	26,271
Equities			122,462	128,175
Bank balances			4,068	10,049
Total endowment asset investments			<u>163,246</u>	<u>164,495</u>
Fixed interest stocks and equities at cost			<u>127,148</u>	<u>109,669</u>
	Group		University	
	2000	1999	2000	1999
	£ 000's	£ 000's	£ 000's	£ 000's
15 DEBTORS				
Debtors	40,411	29,068	37,911	26,661
Amounts owing from subsidiary companies	–	–	5,730	4,490
Prepayments	3,076	3,175	3,051	3,091
	<u>43,487</u>	<u>32,243</u>	<u>46,692</u>	<u>34,242</u>
	Group		University	
	2000	1999	2000	1999
	£ 000's	£ 000's	£ 000's	£ 000's
16 CREDITORS:				
Amounts falling due within one year				
Unsecured Loans (note 18)	366	336	366	336
Secured loans (note 18)	282	259	282	259
Obligations under finance leases (note 18)	631	509	631	509
Creditors	16,628	15,381	15,072	13,369
Amounts owing to subsidiary companies	–	–	3,130	1,653
Social security and other taxation payable	4,087	3,775	4,048	3,535
Accruals and deferred income	44,248	36,493	42,041	33,852
	<u>66,242</u>	<u>56,753</u>	<u>65,570</u>	<u>53,513</u>
	Group		University	
	2000	1999	2000	1999
	£ 000's	£ 000's	£ 000's	£ 000's
17 CREDITORS:				
Amounts falling due after more than one year				
Bank loans (note 18)	20,264	20,940	20,264	20,940
Obligations under finance leases (note 18)	2,249	2,872	–	631
	<u>22,513</u>	<u>23,812</u>	<u>20,264</u>	<u>21,571</u>

**Financial Statements 1999/2000**

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

## 18 BORROWINGS

	<b>Group and University</b>	
	2000 £ 000's	1999 £ 000's
Bank loans		
Instalments are repayable as follows		
Unsecured loans repayable in 2001	366	336
Secured loans repayable in 2001	282	259
Unsecured loans repayable between 2002 and 200	1,408	1,438
Unsecured loans repayable after 2005	10,100	10,464
Secured loan repayable between 2002 and 2005	1,406	1,289
Secured loan repayable after 2005	<u>7,350</u>	<u>7,749</u>
	20,912	21,535
Less: falling due within one year (note 16)	<u>648</u>	<u>595</u>
	<u><u>20,264</u></u>	<u><u>20,940</u></u>

The University has a secured loan repayable over a 20 year period with interest charged at 8.7% p.a.

	Group		University	
	2000 £ 000's	1999 £ 000's	2000 £ 000's	1999 £ 000's
Finance leases				
Obligations under finance leases fall due as follows:				
Due within one year (note 16)	631	509	631	509
Between two and five years	–	631	–	631
After five years	<u>2,249</u>	<u>2,241</u>	<u>–</u>	<u>–</u>
	<u><u>2,880</u></u>	<u><u>3,381</u></u>	<u><u>631</u></u>	<u><u>1,140</u></u>

## 19 PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Group and University</b>		
	Unfunded Pensions £ 000's	Other £ 000's	Total £ 000's
As at 1 August 1999	6,100	356	6,456
Utilised in year	(415)	–	(415)
Transfer from income and expenditure account	<u>704</u>	<u>–</u>	<u>704</u>
As at 31 July 2000	<u><u>6,389</u></u>	<u><u>356</u></u>	<u><u>6,745</u></u>

In compliance with Financial Reporting Standard 12 the above provisions relate only to contractual and legal obligations of the University.

The University has a liability of £6,389,000 (1999 £6,100,000) for pensions payable to former members of Moray House staff who have taken early retirement.

The other provision totalling £356,000 is in respect of decommissioning costs at the Scottish Universities Research Reactor Centre. These costs are not fully covered by the contribution made by SHEFC in 1999.

**Financial Statements 1999/2000**

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

## 20 DEFERRED CAPITAL GRANTS

**Group**

	Funding council £ 000's	Other grants and benefactions £ 000's	Research income £ 000's	Total £ 000's
As at 1 August 1999				
Land	103	170	–	273
Buildings	49,443	42,280	–	91,723
Equipment	584	1,148	1,467	3,199
	<u>50,130</u>	<u>43,598</u>	<u>1,467</u>	<u>95,195</u>
Capital expenditure during the year				
Buildings	10,692	7,824	–	18,516
Equipment	109	76	699	884
	<u>10,801</u>	<u>7,900</u>	<u>699</u>	<u>19,400</u>
Released to income and expenditure account				
Buildings	866	3,345	–	4,211
Equipment	332	514	1,155	2,001
	1,198	3,859	1,155	6,212
Disposals of buildings	226	–	–	226
	<u>1,424</u>	<u>3,859</u>	<u>1,155</u>	<u>6,438</u>
As at 31 July 2000				
Land	103	170	–	273
Buildings	59,043	46,759	–	105,802
Equipment	361	710	1,011	2,082
	<u>59,507</u>	<u>47,639</u>	<u>1,011</u>	<u>108,157</u>

Funding Council building grants released to Income and Expenditure include an exceptional item of £340,000 in respect of building costs charged to expenditure in the year.

Deferred capital benefactions released to Income and Expenditure include an exceptional item of £2,719,000 in respect of building costs charged to expenditure in the year.

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

## 20 DEFERRED CAPITAL GRANTS (continued)

**University**

	Funding council	Other grants and benefactions	Research income	Total
	£ 000's	£ 000's	£ 000's	£ 000's
As at 1 August 1999				
Land	103	170	–	273
Buildings	49,443	41,496	–	90,939
Equipment	584	1,148	1,467	3,199
	<u>50,130</u>	<u>42,814</u>	<u>1,467</u>	<u>94,411</u>
Capital expenditure during the year				
Buildings	10,692	7,824	–	18,516
Equipment	109	76	699	884
	<u>10,801</u>	<u>7,900</u>	<u>699</u>	<u>19,400</u>
Released to income and expenditure account				
Buildings	866	2,895	–	3,761
Equipment	332	514	1,155	2,001
	<u>1,198</u>	<u>3,409</u>	<u>1,155</u>	<u>5,762</u>
Disposals of buildings	226	–	–	226
	<u>1,424</u>	<u>3,409</u>	<u>1,155</u>	<u>5,988</u>
As at 31 July 2000				
Land	103	170	–	273
Buildings	59,043	46,425	–	105,468
Equipment	361	710	1,011	2,082
	<u>59,507</u>	<u>47,305</u>	<u>1,011</u>	<u>107,823</u>

Capital expenditure from Benefactions includes £536,000 of building expenditure funded by the sale of endowment assets.

Funding Council building grants released to Income and Expenditure include an exceptional item of £340,000 in respect of building costs charged to expenditure in the year.

Deferred capital benefactions released to Income and Expenditure include an exceptional item of £2,289,000 in respect of building costs charged to expenditure in the year.

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

## 21 ENDOWMENT FUNDS

	Group and University		
	Specific £ 000's	General £ 000's	Total £ 000's
As at 1 August 1999	162,081	3,217	165,298
Additions	1,343	1	1,344
Appreciation on realisation and revaluation	3,558	71	3,629
Income for the year	5,465	108	5,573
Transferred to income and expenditure account (note 5)	(5,781)	(109)	(5,890)
Transferred to deferred capital grants	(5,436)	–	(5,436)
Administration fee	(433)	(8)	(441)
As at 31 July 2000	<u>160,797</u>	<u>3,280</u>	<u>164,077</u>
		2000	1999
		£ 000's	£ 000's
Representing:			
Prizes and scholarship funds		69,702	66,887
Chairs and lectureship funds		47,123	52,315
Other funds		43,972	42,879
General purposes		<u>3,280</u>	<u>3,217</u>
		<u>164,077</u>	<u>165,298</u>

Transfers to deferred capital grants include £536,000 expended in the year (see Note 20). A further £4,900,000 will be utilised as a deferred grant to fund the completion of a new research building and has been included in creditors - deferred income.

## 22 REVALUATION RESERVE

	Group and University
	Total £ 000's
As at 1 August 1999	310,063
Revaluation during the year (note 12)	21,259
Transfer to general reserve - depreciation on revalued assets (note 23)	(3,722)
Transfer to general reserves on impairment (note 23)	(8,842)
Disposals in the year (note 23)	(2,134)
As at 31 July 2000	<u>316,624</u>

**Financial Statements 1999/2000**

**THE UNIVERSITY OF EDINBURGH**



**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

## 23 GENERAL RESERVES

	Group £ 000's	University £ 000's
As at 1 August 1999	94,416	94,063
Deficit attributable for the year	(12,012)	(12,313)
Transfer from revaluation reserve - depreciation on revalued assets (note 22)	3,722	3,722
Transfer from revaluation reserve on impairment (note 22)	8,842	8,842
Realisation of revaluation gains of previous years (note 22)	2,134	2,134
Balance at 31 July 2000	<u>97,102</u>	<u>96,448</u>
Represented by:		
Capital other than capital grants	14,551	14,539
Strategic Initiatives Fund	336	356
Refurbishment Reserve	14,641	14,641
Accumulated reserves	<u>67,574</u>	<u>66,912</u>
	<u>97,102</u>	<u>96,448</u>

24 RECONCILIATION OF CONSOLIDATED (DEFICIT)/SURPLUS BEFORE TAX  
TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2000 £000's	1999 £000's
(DEFICIT)/SURPLUS BEFORE TAX	(12,001)	2,375
Depreciation (note 12)	9,112	9,329
Impairment of Fixed Assets (note 12)	16,349	-
Deferred capital grants released to income (note 20)	(6,438)	(3,324)
Endowment income (note 5)	(5,890)	(4,774)
Endowment administration fees (note 21)	(441)	(407)
Loss/(Profit) on disposal of fixed assets	967	(441)
Interest payable (note 9)	2,223	2,338
Increase in stocks	(116)	(287)
Increase in debtors	(11,069)	(2,817)
Increase in accruals and deferred income	2,925	4,008
Increase/(decrease) in creditors	1,559	(235)
Increase/decrease in provisions (note 19)	289	(694)
Interest receivable (note 5)	(1,203)	(2,588)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	<u>(3,734)</u>	<u>2,483</u>

## 25 RETURN ON INVESTMENT &amp; SERVICING OF FINANCE

Endowment funds dividends and interest received	5,392	4,671
Interest received	1,209	2,708
Interest paid	(1,849)	(1,992)
Finance lease interest paid	(291)	(313)
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	<u>4,461</u>	<u>5,074</u>

**Financial Statements 1999/2000**

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

	2000 £000's	1999 £000's		
<b>26 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>				
Purchases of tangible assets (note 12)	(35,795)	(40,370)		
Proceeds from sale of tangible assets	1,550	654		
Proceeds from sale of investments	40	–		
Deferred capital grants received - Funding councils and research equipment	11,500	11,145		
Deferred capital grants received - Other capital benefactions	7,364	4,156		
Purchase of Endowment investment assets (note 14)	(2,160)	(4,854)		
Disposal of Endowment investment assets (note 14)	7,038	746		
New Endowments received (note 21)	1,344	3,360		
 <b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	 <u>(9,119)</u>	 <u>(25,163)</u>		
 <b>27 MANAGEMENT OF LIQUID RESOURCES</b>				
	2000 £000's	1999 £000's		
Withdrawal from deposits	5,547	18,000		
<b>NET CASH INFLOW FROM THE MANAGEMENT OF LIQUID RESOURCES</b>	<u>5,547</u>	<u>18,000</u>		
 <b>28 FINANCING</b>				
Debt fully repayable beyond one year: Repayment of amounts borrowed	(623)	(614)		
Capital repayment of finance lease obligations	(501)	(417)		
<b>NET CASH OUTFLOW FROM FINANCING</b>	<u>(1,124)</u>	<u>(1,031)</u>		
 <b>29 ANALYSIS OF NET (DEBT)/FUNDS</b>				
	As at 1 August 1999 £000's	Cashflows £000's	Other Changes £000's	As at 31 July 2000 £000's
Cash at bank	17,042	(3,972)	–	13,070
Liquid Resources:				
Bank deposits	14,557	(5,547)	–	9,010
Cash in hand and at bank	31,599	(9,519)	–	22,080
Debt due within 1 year	(595)	623	(676)	(648)
Debt due after 1 year	(20,940)	–	676	(20,264)
Finance leases	(3,381)	501	–	(2,880)
<b>Total</b>	<u>6,683</u>	<u>(8,395)</u>	<u>–</u>	<u>(1,712)</u>

**Financial Statements 1999/2000**

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

30 PENSION ARRANGEMENTS

The University participates in the following pension schemes which are contracted out of the State Earnings-Related Pension Scheme:

(a) The Universities Superannuation Scheme

The Universities Superannuation Scheme (USS) is the main scheme covering university teachers and employees of comparable status to a university teacher. It is an externally funded scheme and provides benefits based on final pensionable salary for employees of all UK universities and some other employers and the University of Edinburgh is a participating institution. The assets of the Scheme are held in a separate trustee-administered fund.

(b) The University of Edinburgh Staff Benefits Scheme

The Staff Benefits Scheme (EUSBS) covers certain non-teaching staff who are not members of other schemes operated for employees of the University. It is an externally funded scheme and provides benefits based on final pensionable salary. The assets of the scheme are held in a separate trustee-administered fund.

(c) Scottish Teachers Superannuation Scheme

Former members of the academic staff of Moray House Institute of Education are covered by the Scottish Teachers' Superannuation Scheme (STSS) to which the University contributes. This is a defined benefits scheme for which payments are made monthly and charged annually in these accounts as part of employment costs. Under statute, accounts for this scheme are prepared by the relevant body.

Contributions to the Scottish Teachers' Superannuation Scheme have been charged in these accounts on a basis determined by the Secretary of State for Scotland. The STSS is unfunded and its benefits are paid by Her Majesty's Government and financed by the contributions paid by serving teachers and employers.

(d) Strathclyde Pension Fund

Other former members of Moray House Institute of Education staff are covered by the Strathclyde Pension Fund (SPF) administered through Glasgow City Council. Again, the University contributes as the employer. This is a defined benefits scheme for which payments are made monthly and charged annually in these accounts as part of employment costs. Under statute, accounts for this scheme are prepared by the relevant body.

The SPF (formerly Strathclyde Regional Council Superannuation Scheme) is an externally funded scheme and the contributions charged in respect of the SPF are determined in accordance with the advice of an independent qualified actuary.

(e) The Federated Superannuation System for Universities

The Federated Superannuation System for Universities (FSSU) covers a small number of academic staff who did not transfer to USS when it was introduced in 1975. FSSU is a defined contributions scheme. In addition to employers' contributions the cost for the University Court includes amounts paid direct to retired members in respect of the FSSU supplementation scheme.

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

## 30 PENSION ARRANGEMENTS (continued)

- (f) The date of the latest published actuarial valuation of the funded pension schemes and the assumptions which have the most significant effect on the results of the valuation and have the most significant effect on the determination of the contribution levels are as follows:

	USS	EUSBS	SPF
Latest actuarial valuation	31 March 1999	31 July 1997	31 July 1999
Actuarial valuation method	Projected Unit	Projected Unit	Projected Unit
Investment returns per annum	5.5%	8.2%	6.1%
Salary scale increases per annum	3.5%	6.0%	4.3%
Pension increases per annum	2.5%	4.0%	2.8%
Market value of assets at date of last valuation	£18,870m	£106m	£4,988m
Proportion of members accrued benefits covered by the actuarial valuation of the assets	108%	120%	108%
Recommended future employer's Contribution rate	14.0%	7.4%	13.2%

The recommended future employer's contribution rate for the SPF has been increased to 13.2% from 31 March 2001. Additionally, an actuarial review of the USS was carried out as at 31 March 2000 which examined the progress of the scheme since the last valuation. This review drew the conclusion that the overall financial position of the scheme had improved since the 1999 valuation and recommended that no change should be made to the institutions' contribution rate for this scheme.

- (g) The total pension costs for the University Court was as follows:

	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Contributions to USS	11,861	10,774
Contributions to EUSBS	2,224	2,087
Contributions to STSS	272	272
Contributions to SPF	247	208
Contributions to FSSU	23	22
Contributions to other pension arrangements by subsidiaries	63	64
Total funded pension cost (note 6)	14,690	13,427

The pension cost excludes payments of £217,000 (1999- £203,000) made to USS 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.

Payments to retired members in respect of the USS Supplementation scheme amounted to £104,000 (1999- £137,000)

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

(h) Contribution levels as a percentage of pensionable salaries during the year ended 31 July 2000:

	USS	FSSU	EUSBS	STSS	SPF
Employers' contribution level	14.0%	10.0%	7.4%	6.9%	12.0%
Members' contribution level	6.35%	5.0%	6.0%	6.0%	6.0%

Employer's contributions to the SPF increased from 10.2% on 31 March 2000.

### 31 POST BALANCE SHEET EVENT

In November 2000 the University arranged credit facilities for £40 million by the private placement of two bonds. The terms of the bonds are as follows:

- (a) £10 million at a fixed rate of 6.99%, repayable at the end of fifteen years.
- (b) £30 million at a fixed rate of 6.98%, repayable in equal instalments between years twenty five and thirty.

### 32 CAPITAL COMMITMENTS

Outstanding capital commitments as at 31 July 2000 were as follows:-

	<b>Group and University</b>	
	2000	1999
	<u>£000's</u>	<u>£000's</u>
Contracts entered into for building work	<u>33,405</u>	<u>32,172</u>

Of the above commitments, £14,477,000 (1999 - £21,633,000) will be funded through grants and benefactions.

### 33 CONTINGENT LIABILITIES

The University has provided a guarantee to Edinburgh Research and Innovation Limited (ERI) to allow ERI to enter into a sale and leaseback arrangement with regard to a property used by ERI. In the event of a default by ERI, the maximum liability for the university would be £6.5 million, being the remaining rental payments until the end of the lease.

### 34 OTHER FINANCIAL COMMITMENTS

In the event that the purchaser fails to obtain limited planning permissions for residential development of the former Newington campus of Moray House Institute of Education, the University has an obligation to repurchase the site at a cost of £2,000,000. The University considers this level of planning consent will be obtained and accordingly considers it unlikely that any liability to repurchase will arise.

### 35 CONTINGENT ASSET

The University has an entitlement under the terms of the sale in 1998 of the former Newington campus of Moray House Institute of Education to an additional consideration if appropriate planning permission is granted. The University's best estimate of this contingent consideration is £3,100,000. The University has an entitlement under the terms of the sale agreement made during the year with regards to the Cramond site to a consideration in excess of the existing use value of the campus if appropriate planning permission is granted. The University's best estimate of this contingent consideration is £6,000,000.

## Financial Statements 1999/2000

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 July 2000**

## 36 UNIVERSITY COLLECTIONS

The University Court holds a number of valuable collections which are not included in the Balance Sheet. The main collections which have been identified and their indicative values are as follows:

	Approximate value £ 000's
Bronze Collection	9,000
Paintings	8,200
Special Library Collections	6,000
Historical Musical Instruments	500
Marbles and Vases	200
	<u>23,900</u>

**UNIVERSITY INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 July 2000**

	Pre Exceptional Items	Exceptional Items	Post Exceptional Items 2000	1999
	£ 000's	£ 000's	£ 000's	£ 000's
<b>INCOME</b>				
Funding council grants	104,316	340	104,656	99,234
Academic fees and support grants	39,124	–	39,124	37,444
Research grants and contracts	70,083	–	70,083	65,817
Profits covenanted from subsidiaries	1,364	–	1,364	1,314
Other operating income	44,882	2,289	47,171	45,893
Endowment income and interest receivable	7,002	–	7,002	7,230
	<u>266,771</u>	<u>2,629</u>	<u>269,400</u>	<u>256,932</u>
<b>EXPENDITURE</b>				
Staff costs	161,046	–	161,046	150,420
Other operating expenses	94,547	–	94,547	92,479
Depreciation	8,886	–	8,886	9,093
Impairment of Fixed Assets	–	15,281	15,281	–
Interest payable	1,953	–	1,953	2,089
	<u>266,432</u>	<u>15,281</u>	<u>281,713</u>	<u>254,081</u>
<b>(DEFICIT)/SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION</b>	<u>339</u>	<u>(12,652)</u>	<u>(12,313)</u>	<u>2,851</u>

