

Financial Statements (Abstract of Accounts) for the year ended 31 July 2002

TREASURER'S REPORT

Scope of the Financial Statements

As explained in the statement of principal accounting policies the consolidated financial statements include the teaching and research activities of the University, and do not include the accounts of the Cambridge University Press or the Local Examinations Syndicate. The accounts of the Cambridge University Press and the Local Examinations Syndicate are published separately in the *Reporter*.

The consolidated financial statements include the results of the University's subsidiary companies, which undertake activities which for legal or commercial reasons are more appropriately carried out by limited companies. Certain trusts, which support the activities of the University and its students, are not included. The basis of preparation is explained more fully in the Statement of Principal Accounting Policies.

The Council have noted that their Finance Committee is committed to review the current treatment in respect of entities not currently included in the consolidated financial statements.

Format of the Financial Statements

The accounting treatment and format of the financial statements has been changed in certain respects. Further explanations and disclosures have been made. The main accounting treatment changes are (i) the element of the total investments held by the University on behalf of associated bodies is shown on the face of the balance sheet in creditors, and (ii) the element of general endowments generated over many years from income is reclassified as a general reserve, with the corresponding assets reclassified from endowment assets to fixed asset investments. Reserves have been aggregated, and transfers to/from reserves are now excluded from the face of the Income & Expenditure account.

Results for the year

The consolidated results for the year ended 31 July 2002 are summarised as follows:

	2001-02	2000-01	Change
	£m	£m	%
Income	446.8	396.5	+12.7
Expenditure	(450.6)	(406.3)	+11.0
(Deficit) for the year	(3.8)	(9.8)	

Consolidated income for the University and its subsidiary companies increased by £50.3m (+12.7 %) and is now £446.8m.

Grant income from the Higher Education Funding Council for England (HEFCE) and the Teacher Training Agency increased by £11.5m (+9.0%) and includes an incremental £2.9m arising from the transfer of certain of Homerton College's activities to the University. The core recurrent grant from HEFCE increased by only 3.3%.

The increase in *Academic Fees and Support Grants* of £4.8m (+9.6%) is primarily from overseas students, where the success of the Gates Cambridge Trust in bringing numbers of high quality students to Cambridge is evident.

Research income increased by a pleasing £22.6m (+17.8%) and is now one-third of total income. There has been growth in revenue from all categories of sponsors, but particularly from Research Councils.

Other operating income was enhanced with a retrospective VAT refund dating back to 1972 of £3.7m. *Endowment and investment income* was steady with increased spending out of specific endowments making up for reduced interest receivable. It is pleasing to see greater use of spendable endowment income.

Staff costs continue to rise and have increased by £22.5m (+10.9%) over the previous year, part of which arises from additional staff transferred from Homerton College (£3.2m) and part (£7.1m) from increased sponsored research. *Other operating expenses* also continue to rise and, of the £21.0m increase, only £12.7m was funded from increased externally-funded research.

Overall, the deficit has more than halved, thanks mainly to one-off VAT refunds and improved use of income on specific endowments. The marginal increase in core recurrent funding from HEFCE is of major concern, against a background of increasing staff and infrastructure costs. UK Government funding, in the form of HEFCE, TTA and Research Council funding is now only 44% of total income.

Balance Sheet

The Group's net assets have reduced by £25.2m (-2.0%) to £1,238.1m. Adverse stock market movements continue to have an impact: there has been a decrease of £90.0m in the market value of investments. This has been offset by new permanent endowments and donations received during the year, so that in aggregate the University's endowment assets and fixed asset investments have fallen by £49.4m (-7.5%).

Capital expenditure continues at a high level, although reduced slightly from 2000/01. New additions to tangible fixed assets totalled £78.5m in the year, of which £43.4m was funded by capital grants. Tangible fixed assets (land, buildings, and equipment) now make up 46% of net assets.

Investment Performance

The Amalgamated Fund's non-property holdings are managed by Foreign & Colonial Investment Management Limited, and its property portfolio by LaSalle Investment Management Limited. In addition, of short-term cash, £90m is managed by Barclays Global Investors with the balance managed directly by the University.

The Amalgamated Fund's non-property portfolio is managed to produce future growth of income at least equal to the rise in University costs, and the maximum current income which is consistent with these objectives and with an acceptable risk exposure. Performance is compared with the FTSE All Share and FTSE World indices and the WM Charities Universe. The non-property portfolio outperformed over the twelve months to 30 June 2002 posting a return of -9.9% against the WM Charity Index return of -12.5%, the defensive positioning of the portfolio being a positive factor through a turbulent period for markets. The property portfolio increased in value by £3.9m to 31 July 2002.

Overall the unit value of the Amalgamated Fund fell by 16.4% over the year to 31 July 2002. The distribution of 127.00 pence per unit in 2001/02 (2000/01: 123.75 pence) gives a distribution yield of 4.4% based on the average of the year-end unit values for the past three years.

The University Financial System

The new financial accounting system has now been in operation for two years. There have been steady improvements in its operation and use across the University, and an upgrade to a more advanced version of the software was carried out in the year. Problems remain, in particular in the areas of research grant monitoring and billing, and of reporting. Administrative and financial staff have made, and continue to make, major efforts in the transition to the system.

Conclusion

The key financial points for the year ending 31 July 2002 are growth in research grant income, ongoing growth in costs, continuing capital expenditure, a reduction in endowment values (with market value reductions in excess of new donations), and a second year of deficit.

The excellence of our academic activities is widely recognised, and the increase of 12.5% in total income is satisfying. The quality of our teaching and research is, and will continue to be, a major factor in forging partnerships with industry and charities, funding bodies and other potential donors, and in attracting staff and students of the very highest international calibre. However the costs of maintaining and developing teaching and research infrastructure and resources are outstripping funding sources. The reduction in deficit for 2001/02 compared to 2000/01 is largely due to non-recurring items. The current funding model is not sustainable in the long term.

The state of world stockmarkets is of concern. The University relies greatly on the income from its endowment assets. It aims to make and spend steady distributions of income whilst maintaining permanent endowment to preserve equality between generations of academics and students. Whilst the distribution from the Amalgamated Fund is expected to be held in the short term, we must look to recovery in world stockmarkets to be able to maintain and grow this area of our income.

Joanna Womack
Treasurer

CORPORATE GOVERNANCE

1. The following Statement is provided by the Council to enable readers of the Financial Statements to obtain a better understanding of the arrangements in the University for the management of its resources and for audit.
2. The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and within the general principles of the Guidance to Universities which has been provided by the Committee of University Chairmen and its Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland.
3. Under the Statutes the Governing Body of the University is the Regent House which comprises the Resident Senior Members of the University and the Colleges, together with the Chancellor, the High Steward, the Deputy High Steward, and the Commissary. Subject to the Regent House, the Council of the University is the principal executive and policy-making body of the University, with general responsibility for the administration of the University, for the planning of its work, and for the management of its resources. The General Board of the Faculties is responsible, subject to the Regent House and to the responsibilities of the Council, for the academic and educational policy of the University.
4. The Council are advised in carrying out its duties by a number of Committees, including the Planning and Resources Committee, the Finance Committee, and the Audit Committee. The Planning and Resources Committee is a joint committee of the Council and the General Board, chaired by the Vice-Chancellor. Its responsibilities include the development and oversight of the University's Strategic Plan, and the preparation of the University's budget. The Finance Committee is chaired by the Vice-Chancellor and advises the Council on the management of the University's assets, including real property, monies and securities, and on the care and maintenance of all University sites and buildings. The membership of the Finance Committee includes members of the Regent House and members external to the University. The Audit Committee governs the work of the Internal and External Auditors, reporting on these matters directly to the Council.
5. The Vice-Chancellor is, de facto, the principal academic and administrative officer of the University. Under the terms of the Financial Memorandum between the University and the Higher Education Funding Council for England the Vice-Chancellor is the Designated Officer of the University.
6. Under Statutes, it is the duty of the Council, acting on the advice of the Finance Committee, to exercise general supervision over the finances of all institutions in the University other than the University Press; to keep under review the University's financial position and to make a report thereon to the University at least once in each year; to recommend bankers for appointment by the Regent House; to prepare and publish an abstract of the annual accounts of the University, excluding the accounts of the University Press and of such other accounts as may be specified by Ordinance.
7. It is the duty of the Audit Committee to keep under review the effectiveness of the University's internal systems of financial and other controls; to advise the Council on the appointment of external and internal auditors; to consider reports submitted by the Auditors, both external and internal; to monitor the implementation of recommendations made by the Internal Auditors; to satisfy themselves that satisfactory arrangements are adopted throughout the University for promoting economy, efficiency and effectiveness; to establish appropriate performance measures and to monitor the effectiveness of external and internal audit; to make an annual report to the Council, the Vice-Chancellor and the Higher Education Funding Council for England; to receive reports from the National Audit Office and the Higher Education Funding Council for England. The Registry is Secretary to the Audit Committee. From 1 August 2002 the Ordinances provide that membership of the Audit Committee includes four external members, appointed by the Council with regard to their professional expertise and experience in comparable roles in corporate life.
8. The University maintains a Register of Interests of Members of the Council, the General Board, the Finance Committee and the Audit Committee, and of the Senior Administrative Officers, which may be consulted by arrangement with the Registry.
9. The Cambridge University Press is established by Statute of the University and has its own charitable status separate from that of the University. It is an educational charitable enterprise dedicated to printing and publishing in the advancement of knowledge, education and learning. The University of Cambridge Local Examinations Syndicate is established under the Statutes of the University as a charitable enterprise whose primary work is the conduct and administration of examinations in schools and for persons who are not members of the University. The University publishes separately for each of the Press and the Syndicate an annual report and accounts.

STATEMENT OF INTERNAL CONTROL

1. The Council have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the Statutes and Ordinances and the Financial Memorandum with the HEFCE.

2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

3. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The state of internal control was not satisfactory at the beginning of the financial year 2001–02. The University has improved procedures in place which we expect to allow a statement on internal control for the financial year 2002–03. This takes account of the time needed to fully embed the processes which the Council have agreed should be established and to improve their robustness.

4. The Council have undertaken the following actions to initiate our risk management strategy:

- (a) Approved a risk management policy.
- (b) Approved a risk management strategy.
- (c) Agreed where the principal management responsibility rests for risk management.
- (d) Identified the University's fundamental risks, and determined a control strategy for each of the significant risks.
- (e) Established a Risk Steering Committee to oversee risk management.
- (f) Requested the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management.
- (g) Requested that our internal auditors adapt audit planning arrangements and their methodology and approach, so that they conform to the latest professional standards reflecting the adoption of risk management.

5. The Council will consider risk management and internal control on a regular basis during the year so that there will be a full risk and control assessment before reporting on the year ending 31 July 2003. Risk management has been incorporated more fully into the corporate planning and decision-making processes of the University.

6. The Council receive periodic reports from the chairman of the Audit Committee concerning internal control, and receive the minutes of all meetings of the Audit Committee.

7. The University has prepared a University-wide risk register.

8. In addition to the actions mentioned above, in the coming year the University plans to:

- (a) Arrange a regular programme to identify and keep up to date the record of risks facing the University.
- (b) Continue the programme of risk awareness training, which is underway.
- (c) Establish a system of key performance and risk indicators.
- (d) Develop and maintain its risk register.

9. The University's internal audit function is carried out by RSM Robson Rhodes. It operates to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports which include their independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and by comments made by the external auditors in their management letter and other reports.

STATEMENT OF RESPONSIBILITIES OF THE COUNCIL

1. Under the University's Statutes it is the duty of the Council, acting on the advice of its Finance Committee, to prepare, and to publish an abstract of, the annual accounts of the University, excluding the accounts of the University Press, and of such other accounts as may be specified by Ordinance.

2. The Council are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University.

3. In preparing the financial statements the Council are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (d) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the University will continue to operate;
- (e) ensure that income has been applied in accordance with the University's Statutes and Ordinances, and its Financial Memorandum with the HEFCE and the funding Agreement with the Teacher Training Agency;
- (f) safeguard the assets of the University and take reasonable steps to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL

We have audited the financial statements of the University of Cambridge for the year ended 31 July 2002 which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out in the Statement of Principal Accounting Policies.

Respective Responsibilities of the Council and independent auditors

The responsibilities of the Council under the University Statutes with respect to the preparation of financial statements are set out in the Statement of Responsibilities of the Council. In fulfilling those responsibilities, the Council has determined what shall be included in the financial statements of the University and of the Group, which do not include certain constituent parts of the corporation or associated trusts as stated in the Statement of Principal Accounting Policies.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, United Kingdom auditing standards and the requirements of the Audit Code of Practice issued by the Higher Education Funding Council for England.

We report to you our opinion as to whether the financial statements are properly prepared in accordance with the accounting policies set out in the Statement of Principal Accounting Policies and with the University's Statutes and Ordinances. We also report to you whether, in all material respects, income from the Higher Education Funding Council for England and from the Teacher Training Agency and 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, and whether, in all material respects, income has been applied in accordance with the University's Statutes and Ordinances and where appropriate with the Financial Memorandum with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency.

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

We read the other information contained in the Treasurer's Report, the Corporate Governance Statement, the Statement of Internal Control and the Statement of Responsibilities of the Council and consider the implications for our report if we become aware of any apparent misstatements within them.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies selected by the Council are appropriate to the circumstances of the University and the group, 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.

Basis of preparation of the financial statements

In forming our opinion, we have considered the appropriateness of the accounting policies adopted by the Council, which are disclosed in the Statement of Principal Accounting Policies. In fulfilment of its responsibility under the University Statutes to prepare and to publish an abstract of the annual accounts of the University, excluding the accounts of the University Press, the Council has drawn up financial statements showing the state of affairs and deficit of the University's and group's teaching and research activities. The Council has adopted accounting policies as required by the Statutes or which the Council has determined appropriate. These policies do not permit the financial statements to comply with applicable United Kingdom accounting standards, in that the entities set out in the basis of preparation note which forms part of the Statement of Principal Accounting Policies and works of art have not been included. Our opinion is not qualified in this respect.

Opinion

In our opinion:

- (i) the financial statements have been properly prepared in accordance with the accounting policies set out in the Statement of Principal Accounting Policies and with the University's Statutes and Ordinances;
- (ii) in all material respects, income from the Higher Education Funding Council for England and from the Teacher Training Agency and 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; and,
- (iii) in all material respects, income has been applied in accordance with the University's Statutes and Ordinances and where appropriate with the Financial Memorandum with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Cambridge
18 December 2002

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2002

	<i>Note</i>	Year ended 31 July 2002 £m	Year ended 31 July 2001 £m
Income			
Funding Council and Teacher Training Agency grants	<i>1</i>	138.8	127.3
Academic fees and support grants	<i>2</i>	54.6	49.8
Research grants and contracts	<i>3</i>	149.0	126.4
Other income	<i>4</i>	55.7	44.2
Endowment and investment income	<i>5</i>	48.7	48.8
Total income		446.8	396.5
Expenditure			
Staff costs	<i>6, 7</i>	227.8	205.3
Other operating expenses	<i>7</i>	198.3	177.3
Depreciation	<i>7</i>	24.5	23.7
Total expenditure	<i>7</i>	450.6	406.3
Deficit on continuing operations	<i>8</i>	(3.8)	(9.8)

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

The only difference between the deficit on ordinary activities stated above and its historical cost equivalent is due to the depreciation charge on revalued operational buildings. The total historical cost of these buildings is not available.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2002

	Year ended 31 July 2002	Year ended 31 July 2001 Restated
	£m	£m
Deficit on the income and expenditure account	(3.8)	(9.8)
(Decrease) / increase in market value of investments		
Endowments	(72.2)	(27.3)
Reserves	(17.8)	0.1
New endowment capital	7.7	16.3
Endowment income retained for the year	28.4	9.0
Total recognised losses relating to the year	(57.7)	(11.7)
Prior year adjustment: Colleges Fund (see note 16)	(0.5)	–
Total recognised losses	<u>(58.2)</u>	<u>(11.7)</u>
Reconciliation		
Opening reserves and endowments as previously stated	1,120.0	
Total recognised losses	(58.2)	
Closing reserves and endowments	<u>1,061.8</u>	

BALANCE SHEET AS AT 31 JULY 2002

		Group 31 July 2002	Group 31 July 2001 <i>restated</i>	University 31 July 2002	University 31 July 2001 <i>restated</i>
	<i>Note</i>	£m	£m	£m	£m
Fixed assets					
Tangible assets	9	571.5	518.0	575.3	521.0
Investments	10	120.4	133.7	120.4	133.7
		691.9	651.7	695.7	654.7
Endowment asset investments	11	490.3	526.4	489.7	524.7
Current assets					
Stocks		0.6	0.6	0.1	0.1
Debtors	12	105.4	80.8	103.2	82.2
Investments					
University	13	65.6	92.7	65.6	92.7
Held on behalf of others	13	174.4	190.5	174.4	190.5
Cash at bank and in hand		2.4	2.9	0.7	–
		348.4	367.5	344.0	365.5
Creditors: amounts falling due within one year	14	(292.5)	(282.3)	(287.8)	(280.3)
Net current assets		55.9	85.2	56.2	85.2
Total assets less current liabilities		1,238.1	1,263.3	1,241.6	1,264.6
Total net assets		1,238.1	1,263.3	1,241.6	1,264.6
Represented by:					
Deferred capital grants	15	176.3	143.8	176.3	143.8
Endowments					
Specific endowments	16	484.6	519.6	484.0	517.9
General endowments	16	5.7	6.8	5.7	6.8
	16	490.3	526.4	489.7	524.7
Reserves					
General reserves	17	350.7	365.0	354.8	368.0
Revaluation reserve	17	220.8	228.1	220.8	228.1
	17	571.5	593.1	575.6	596.1
Total funds		1,238.1	1,263.3	1,241.6	1,264.6

The financial statements on pages 434 to 449 were approved by the Council on 9 December 2002 and signed on its behalf by:

Professor A. N. BROERS
Vice-Chancellor

Mrs J. M. WOMACK
Treasurer

Mrs A. M. LONSDALE
Pro-Vice-Chancellor

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2002

	<i>Note</i>	Year ended 31 July 2002 £m	Year ended 31 July 2001 £m
Net cash (outflow) / inflow from operating activities	<i>18</i>	(7.2)	5.9
Returns on investments:			
Interest and dividends received on investments		30.6	33.9
Capital expenditure and financial investment	<i>19</i>	(21.2)	(41.7)
Cash inflow / (outflow) before use of liquid resources		2.2	(1.9)
Management of liquid resources:			
(Increase) / decrease in short-term deposits		(4.1)	6.0
(Decrease) / increase in cash in the year	<i>20</i>	(1.9)	4.1
Reconciliation of net cash flow to movement in net funds			
(Decrease) / increase in cash		(1.9)	4.1
Cash inflow / (outflow) from liquid resources		4.1	(6.0)
Movement in net funds in the year		2.2	(1.9)
Net funds at 1 August		167.9	169.8
Net funds at 31 July	<i>20</i>	170.1	167.9

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements, as prepared, are intended to show the state of affairs of the University's and group's teaching and research activities. As noted below the consolidated financial statements do not include the accounts of Cambridge University Press (CUP), the University of Cambridge Local Examinations Syndicate (UCLES), nor those of the Cambridge Foundation, the Cambridge Commonwealth Trust, the Cambridge Overseas Trust, the Cambridge European Trust, and the Gates Cambridge Trust and certain other trusts supporting the activities of the University by providing scholarships and otherwise (the Associated Trusts). Transactions with these entities, and with the Colleges, are disclosed in the notes to the financial statements. Insofar as these activities are excluded, and as a result of the University's accounting policy on works of art, the financial statements do not disclose all assets and liabilities of the corporation known as the University of Cambridge, do not include all income and expenditure of that corporation and do not comply with certain United Kingdom accounting standards. In other respects the financial statements have been prepared in accordance with applicable United Kingdom accounting standards.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified in respect of the treatment of investments and certain operational properties which are included at valuation.

Exclusion of Cambridge University Press, the University of Cambridge Local Examinations Syndicate and the Associated Trusts

The financial statements exclude the accounts of CUP and UCLES, constituent parts of the corporation known as the University of Cambridge. The consolidated financial statements also exclude the subsidiary undertakings of UCLES. Transactions with CUP and UCLES and with the subsidiary undertakings of UCLES are treated in the financial statements as transactions with related third parties.

The consolidated financial statements do not include the accounts of the Associated Trusts, each of which is a separately constituted charity. Transactions with the Associated Trusts are treated in the financial statements as transactions with related third parties.

Basis of consolidation

Except for the exclusion of CUP, UCLES and the Associated Trusts as noted above, the consolidated financial statements include the University and its subsidiary undertakings. Details of the subsidiary undertakings included are given in note 24. Intra-group transactions and balances are eliminated on consolidation.

The consolidated financial statements do not include the accounts of the 30 Colleges and one Approved Society in the University (the Colleges), each of which is an independent corporation. Transactions with the Colleges are disclosed in note 26.

The consolidated financial statements do not include the accounts of Cambridge University Students Union as it is a separate body in which the University has no financial interest and over whose policy decisions it has no control.

Recognition of income

Restricted income is income which can only be applied to specific purposes designated by the grantor or donor. Income falling under this category includes research grants and contracts and specific endowments. Restricted income is brought into the income and expenditure account to the extent of the relevant expenditure incurred and expensed in the year.

Grants received in respect of the acquisition or construction of tangible fixed assets are treated as deferred capital grants and brought into income over the expected useful life of the respective assets on a basis consistent with the depreciation policy.

All other income is brought into the income and expenditure account on a receivable basis.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. Translation differences are taken to the income and expenditure account.

Tangible fixed assets:

Land and buildings

Operational land and buildings are included in the financial statements at their 1994 valuation with subsequent additions at cost. The basis of valuation is market value for existing use as at 31 July 1994 and the valuation was performed by A. K. Rodgers, Chartered Surveyor, formerly of the University's Estate Management department. The University is taking advantage of the transitional arrangements under Financial Reporting Standard 15 – Tangible Fixed Assets (FRS 15) and the 1994 valuation has not been updated. No depreciation is provided on land and assets in construction. Buildings are written off over their estimated useful lives. These lives have been estimated as 20 years for laboratory buildings, 15 years for buildings held for commercial use and 50 years for all other buildings.

Equipment and books

Equipment costing less than £10,000 per individual item is written off in the year of purchase. All other equipment is capitalised and depreciated so that it is written off over four years, except where it is purchased from a research grant when it is written off over the remaining life of the grant. Expenditure on books and similar items is charged to revenue as incurred.

Works of art

The University owns a considerable number of works of art, including paintings, drawings, sculptures, and manuscripts. Most are on display around the University and have been donated or bequeathed to the University. These works of art are not included in the financial statements, because it is considered, in view of the restrictive nature of the acquisitions, that no meaningful value can be attributed to them.

Investments

Fixed asset investments, endowment asset investments and current asset investments are included in the balance sheet at market value. Properties held for investment purposes are valued annually on the basis of estimated open market values on an existing use basis by LaSalle Investment Management. Marketable securities are valued at mid-market valuation on 31 July. Non-marketable securities are included at valuation by the Treasurer.

Stocks

Stocks of goods held for resale are stated at the lower of cost and net realisable value. Expenditure on consumable materials for use in teaching and research activities is charged to revenue as incurred.

Pensions

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Cambridge Contributory Pension Scheme (CPS). The schemes are defined benefit schemes which are contracted out of the State Earnings Related Pension Scheme. The Funds are valued every three years by professionally qualified independent actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are accounted for on the basis of charging the cost of providing pensions over the employees' service lives.

NOTES TO THE FINANCIAL STATEMENTS

	2002 £m	2001 £m
1 Funding Council and Teacher Training Agency grants		
Higher Education Funding Council for England (HEFCE)		
Recurrent grant	124.0	120.1
Specific grants	7.7	4.0
Deferred capital grant released in year (note 15)		
Equipment	2.3	1.8
Buildings	0.7	0.2
HEFCE total	134.7	126.1
Teacher Training Agency		
Recurrent grant	4.1	1.2
	<u>138.8</u>	<u>127.3</u>
2 Academic fees and support grants		
Full-time home students	19.0	17.9
Full-time overseas students	21.0	18.5
Part-time course fees	12.8	11.2
Research Training Support Grants	1.8	2.2
	<u>54.6</u>	<u>49.8</u>
3 Income: research grants and contracts		
Research councils	59.0	49.3
UK based charities	45.7	40.4
Other bodies	44.3	36.7
	<u>149.0</u>	<u>126.4</u>
4 Other income		
Other services rendered	14.2	10.4
Health and hospital authorities	7.1	7.3
Catering	2.6	2.3
AHRB museum grant	1.4	–
DTI grant	1.0	0.4
University companies	5.2	4.4
Released from deferred capital grants (note 15)	4.2	4.1
Transferred from UCLES (see note 25)	3.8	3.7
Donations	3.4	3.1
Value Added Tax rebate (excluding exceptional item)	2.8	2.3
Other	6.3	6.2
Total before exceptional item	52.0	44.2
Exceptional item: VAT rebate relating to earlier years	3.7	–
	<u>55.7</u>	<u>44.2</u>
5 Endowment and investment income		
Transferred from specific endowments	40.8	36.9
Transferred from general endowments	0.3	0.3
Other income from investments and interest receivable	7.6	11.6
	<u>48.7</u>	<u>48.8</u>
6 Staff costs		
Wages and salaries	194.2	174.9
Social security costs	15.4	14.4
Pension costs	18.2	16.0
	<u>227.8</u>	<u>205.3</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Emoluments of the Vice-Chancellor	2002	2001
	£000	£000
Emoluments excluding employer's pension contributions	134	129
Employer's pension contributions	18	17
	152	146

The University's pension contributions to USS in respect of the Vice-Chancellor are paid at the same rates as for other academic staff.

Remuneration of higher paid staff, excluding employer's pension contributions:

	Clinical		Non-Clinical		Total number	
	2002	2001	2002	2001	2002	2001
£50,001–£60,000	51	21	83	116	134	137
£60,001–£70,000	58	31	84	41	142	72
£70,001–£80,000	25	14	22	19	47	33
£80,001–£90,000	12	9	1	2	13	11
£90,001–£100,000	14	12	4	–	18	12
£100,001–£110,000	–	–	–	–	–	–
£110,001–£120,000	11	12	–	–	11	12
£120,001–£130,000	3	5	2	2	5	7
£130,001–£140,000	6	5	1	–	7	5
£140,001–£150,000	5	3	–	1	5	4
£150,001–£160,000	–	–	1	–	1	–

The above statistics include additional payments to employees of the University on behalf of the Anglia and Oxford Regional Health Authority.

7 Analysis of expenditure by activity

	Staff costs £m	Other operating expenses £m	Depreciation £m	2002 Total £m	2001 £m
Academic departments	114.7	31.9	4.6	151.2	134.9
Academic services	12.8	9.5	0.4	22.7	29.6
Payments to colleges (see note 26)	–	29.4	–	29.4	26.6
Research grants and contracts	69.1	58.0	3.7	130.8	112.7
Other activities:					
Services rendered	4.4	8.5	0.1	13.0	9.9
University companies	0.8	3.4	–	4.2	3.4
Catering	1.5	3.2	–	4.7	4.0
Other activities total	6.7	15.1	0.1	21.9	17.3
Administration and central services:					
Administration	13.0	5.7	0.3	19.0	21.5
General educational	1.2	15.5	–	16.7	11.1
Staff and student facilities	2.0	0.4	–	2.4	2.4
Development office	1.2	1.8	–	3.0	2.7
Other	–	4.7	–	4.7	3.9
Administration and central services total	17.4	28.1	0.3	45.8	41.6
Premises	7.1	26.3	15.4	48.8	43.6
Total per income and expenditure account	227.8	198.3	24.5	450.6	406.3

The depreciation charge has been funded by:

Deferred capital grants (note 15)	10.9
Revaluation reserve (note 17)	7.3
General income	6.3
	24.5

NOTES TO THE FINANCIAL STATEMENTS (continued)

Auditors' remuneration	2002	2001
	£000	£000
Other operating expenses include:		
Audit fees payable to the University's external auditors	95	–
Other fees payable to the University's external auditors	9	–
Audit fees payable to the University's previous external auditors	44	58
Other fees payable to the University's previous external auditors	–	1,296
Audit fees payable to other firms in relation to subsidiary undertakings	22	19
Other fees payable to subsidiary undertakings' external auditors	2	4

These amounts include related irrecoverable VAT.

8 Deficit on continuing operations for the year	2002	2001
	£m	£m
The deficit on continuing operations for the year is made up as follows:		
University's deficit for the year	(5.0)	(11.2)
Surplus generated by subsidiary undertakings and transferred to the University under deeds of covenant	2.2	2.4
Deficit dealt with in the accounts of the University	(2.8)	(8.8)
Deficit retained in subsidiary undertakings	(1.0)	(1.0)
	(3.8)	(9.8)

9 Tangible fixed assets	Land and buildings	Assets in construction	Equipment	2002 Total	2001
<i>Group</i>	£m	£m	£m	£m	£m
Cost or valuation					
At 1 August	485.1	48.2	67.0	600.3	507.2
Additions at cost	1.0	65.0	12.5	78.5	93.3
Transfers	47.7	(47.7)	–	–	–
Disposals	–	–	(2.0)	(2.0)	(0.2)
At 31 July	533.8	65.5	77.5	676.8	600.3
Depreciation					
At 1 August	33.9	–	48.4	82.3	58.6
Charge for the year	15.6	–	8.9	24.5	23.7
Elimination on disposal	–	–	(1.5)	(1.5)	–
At 31 July	49.5	–	55.8	105.3	82.3
Net book value					
At 31 July	484.3	65.5	21.7	571.5	518.0
At 1 August	451.2	48.2	18.6	518.0	448.6
University					
Cost or valuation					
At 1 August	487.0	49.2	67.0	603.2	509.0
Additions at cost	1.0	65.8	12.5	79.3	94.3
Transfers	49.6	(49.6)	–	–	–
Disposals	–	–	(2.0)	(2.0)	(0.1)
At 31 July	537.6	65.4	77.5	680.5	603.2
Depreciation					
At 1 August	33.9	–	48.3	82.2	58.6
Charge for the year	15.6	–	8.9	24.5	23.6
Elimination on disposal	–	–	(1.5)	(1.5)	–
At 31 July	49.5	–	55.7	105.2	82.2
Net book value					
At 31 July	488.1	65.4	21.8	575.3	521.0
At 1 August	453.1	49.2	18.7	521.0	450.4

Land and buildings includes land totalling £59.7m (2001: £59.7m) which is not depreciated.

The cost to the group of buildings and assets in construction consists of the cost incurred by the University less the surplus recorded in the accounts of Lynxvale Limited and eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Fixed asset investments	Group 2002 £m	Group 2001 £m	University 2002 £m	University 2001 £m
Opening balance	133.7	132.0	133.7	132.0
Additions in the year	0.6	0.1	0.6	0.1
(Decrease) / increase in market value of investments	(13.9)	1.6	(13.9)	1.6
Closing balance	120.4	133.7	120.4	133.7
Represented by:				
Property	29.7	26.6	29.7	26.6
Securities	81.6	94.3	81.6	94.3
Money market investments	6.1	10.5	6.1	10.5
Cash in hand and at investment managers	2.8	0.9	2.8	0.9
Other	0.2	1.4	0.2	1.4
	120.4	133.7	120.4	133.7

In previous years the University's capital investment fund, known as Chest Capital, was classified as a general endowment and accordingly the related investments were included in the balance sheet as endowment asset investments. With the exception of a permanent endowment element, Chest Capital has been reclassified as a reserve (see notes 16 and 17), and the related investments are included as fixed assets. Comparative figures have been restated accordingly.

11 Endowment asset investments	Group 2002 £m	Group 2001 <i>restated</i> £m	University 2002 £m	University 2001 <i>restated</i> £m
Long-term investments				
Property	58.2	45.8	58.2	45.8
Securities	281.6	343.0	282.4	343.0
Money market investments	25.0	34.3	25.0	34.3
Cash in hand and at investment managers	0.1	3.7	0.1	3.7
	364.9	426.8	365.7	426.8
Short-term deposits	124.0	97.9	124.0	97.9
Bank balances	1.4	1.7	–	–
	490.3	526.4	489.7	524.7
12 Debtors				
Research grants recoverable	63.8	47.7	63.8	47.7
Amounts due from subsidiary undertakings	–	–	2.4	4.2
Other debtors	41.6	33.1	37.0	30.3
	105.4	80.8	103.2	82.2
13 Current asset investments				
Property	23.5	19.1	23.5	19.1
Securities	113.1	140.6	113.1	140.6
Money market investments	10.3	12.4	10.3	12.4
Short-term deposits	93.1	109.6	93.1	109.6
Cash held by investment managers	–	1.5	–	1.5
	240.0	283.2	240.0	283.2
Representing:				
University	65.6	92.7	65.6	92.7
Held on behalf of related parties and other associated bodies (see note 14)	174.4	190.5	174.4	190.5
	240.0	283.2	240.0	283.2

Current asset investments include investments held on behalf of related parties (see note 25) and other associated bodies. The book value of these investments is included in creditors due within one year. In prior years only the share of investments held for the University was shown on the balance sheet. Comparatives have been restated accordingly.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Creditors: amounts falling due within one year	Group 2002 £m	Group 2001 £m	University 2002 £m	University 2001 £m
Bank overdraft	5.0	3.9	4.9	3.9
Research grants received in advance	48.9	33.6	48.9	33.6
Amounts due to subsidiary undertakings	—	—	2.0	2.8
Other creditors	64.2	54.3	57.6	49.5
Investments held on behalf of related parties and other associated bodies (see note 13)	174.4	190.5	174.4	190.5
	292.5	282.3	287.8	280.3

15 Deferred capital grants

<i>Group and University</i>	Funding Council £m	Research Grants £m	Other Grants £m	2002 Total £m	2001 £m
Balance 1 August					
Buildings	18.9	—	111.7	130.6	89.5
Equipment	2.8	9.3	1.1	13.2	9.0
	21.7	9.3	112.8	143.8	98.5
Grants received					
Buildings	4.2	—	29.7	33.9	44.7
Equipment	2.5	6.3	0.7	9.5	12.1
	6.7	6.3	30.4	43.4	56.8
Released to income and expenditure for depreciation					
Buildings	(0.7)	—	(3.5)	(4.2)	(3.6)
Equipment	(2.3)	(3.7)	(0.7)	(6.7)	(7.9)
	(3.0)	(3.7)	(4.2)	(10.9)	(11.5)
Balance 31 July					
Buildings	22.4	—	137.9	160.3	130.6
Equipment	3.0	11.9	1.1	16.0	13.2
	25.4	11.9	139.0	176.3	143.8

NOTES TO THE FINANCIAL STATEMENTS (continued)**16 Endowments**

<i>Group</i>	Specific £m	General £m	2002 Total £m	2001 Total £m
Balance 1 August				
As previously stated	520.1	140.6	660.7	661.1
Prior year adjustment: Chest Capital (see note below)	–	(133.8)	(133.8)	(132.1)
Prior year adjustment: Colleges Fund (see note below)	(0.5)	–	(0.5)	(0.6)
Restated opening balance	519.6	6.8	526.4	528.4
Permanent endowments received	7.7	–	7.7	16.3
Income receivable from endowment asset investments	22.7	0.3	23.0	22.2
Donations and other income	80.4	–	80.4	69.0
Transfer from reserves	–	–	–	0.5
Transfer to deferred capital grants	(33.9)	–	(33.9)	(45.5)
Transfer to income and expenditure account	(40.8)	(0.3)	(41.1)	(37.2)
Decrease in market value of investments	(71.1)	(1.1)	(72.2)	(27.3)
Balance 31 July	484.6	5.7	490.3	526.4
<i>University</i>				
	Specific £m	General £m	2002 Total £m	2001 Total £m
Balance 1 August				
As previously stated	518.4	140.6	659.0	659.0
Prior year adjustment: Chest Capital (see note below)	–	(133.8)	(133.8)	(132.1)
Prior year adjustment: Colleges Fund (see note below)	(0.5)	–	(0.5)	(0.6)
Restated opening balance	517.9	6.8	524.7	526.3
Permanent endowments received	7.7	–	7.7	16.3
Income receivable from endowment asset investments	22.6	0.3	22.9	22.2
Donations and other income	80.2	–	80.2	68.9
Transfer from reserves	–	–	–	0.5
Transfer to deferred capital grants	(33.9)	–	(33.9)	(45.5)
Transfer to income and expenditure account	(40.6)	(0.3)	(40.9)	(37.0)
Decrease in market value of investments	(69.9)	(1.1)	(71.0)	(27.0)
Balance 31 July	484.0	5.7	489.7	524.7
Representing:				
	Specific £m	General £m	2002 Total £m	2001 Total £m
Trust Funds:				
Permanent capital	283.8	–	283.8	323.3
Current accounts	74.0	–	74.0	99.7
Special Funds	79.6	–	79.6	73.4
Donations for buildings	46.6	–	46.6	21.5
Other	–	5.7	5.7	6.8
University total	484.0	5.7	489.7	524.7
Subsidiary undertakings	0.6	–	0.6	1.7
Group total	484.6	5.7	490.3	526.4

In previous years the University's capital investment fund, known as Chest Capital, was classified as a general endowment. With the exception of a permanent element, this fund has been reclassified as a reserve, available to the University for general purposes. This fund is designated for long-term capital investment. Comparative figures have been restated accordingly. The reclassification does not affect the income and expenditure account as all Chest Capital income has in previous years been included in endowment and investment income.

The Colleges Fund is administered by the University on behalf of the Colleges, who make all contributions to and receive all allocations from the Fund. In previous years the Colleges Fund was included as a specific endowment. It has now been reclassified as a creditor. Comparative figures have been restated accordingly. There is no effect on the income and expenditure account as payments to Colleges from the Fund were and are excluded from income and expenditure.

NOTES TO THE FINANCIAL STATEMENTS (continued)**17 Reserves***Group*

	General reserves £m	Revaluation reserve £m	2002 Investments £m	2001 Total £m
Balance 1 August				
As previously stated	231.2	228.1	459.3	471.2
Prior year adjustment: Chest Capital (see note 16)	133.8	–	133.8	132.1
Restated opening balance	365.0	228.1	593.1	603.3
Deficit on ordinary activities	(3.8)	–	(3.8)	(9.8)
Transfer from revaluation reserve	7.3	(7.3)	–	–
Transfer to endowments	–	–	–	(0.5)
(Decrease) / increase in market value of investments	(17.8)	–	(17.8)	0.1
Balance 31 July	350.7	220.8	571.5	593.1

University

	General reserves £m	Revaluation reserve £m	2002 Total £m	2001 £m
Balance 1 August				
As previously stated	234.2	228.1	462.3	473.2
Prior year adjustment: Chest Capital (see note 16)	133.8	–	133.8	132.1
Restated opening balance	368.0	228.1	596.1	605.3
Deficit on ordinary activities	(2.8)	–	(2.8)	(8.8)
Transfer from revaluation reserve	7.3	(7.3)	–	–
Transfer to endowments	–	–	–	(0.5)
(Decrease) / increase in market value of investments	(17.7)	–	(17.7)	0.1
Balance 31 July	354.8	220.8	575.6	596.1

	2002 £m	2001 £m
18 Reconciliation of consolidated operating deficit to net cash (outflow) / inflow from operating activities		
Deficit on continuing operations	(3.8)	(9.8)
Depreciation	24.5	23.7
Deferred capital grants released to income	(10.9)	(11.5)
Deficit / (surplus) on disposal of fixed tangible assets	0.5	(0.2)
Investment income	(7.9)	(11.9)
Specific endowments – excess of (expenditure over income) / income over expenditure	(10.1)	12.7
	(7.7)	3.0
Increase in stocks	(0.1)	–
Increase in debtors	(24.6)	(18.9)
Increase in creditors	25.2	21.8
Net cash (outflow) / inflow from operating activities	(7.2)	5.9

	2002 £m	2001 £m
19 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(78.5)	(93.3)
Donations for buildings and other deferred capital grants received	66.8	47.0
Proceeds of disposal of tangible fixed assets	–	0.3
Net (purchase) / disposal of long-term investments (excluding investments held on behalf of related parties and other associated bodies)	(9.5)	4.3
Net cash outflow from capital expenditure and financial investment	(21.2)	(41.7)

NOTES TO THE FINANCIAL STATEMENTS (continued)**20 Analysis of the balances of cash and bank overdraft as shown in the balance sheet**

	Group 2002 £m	Group 2001 £m	University 2002 £m	University 2001 £m
Bank overdraft	(5.0)	(3.9)	(4.9)	(3.9)
Bank balances held directly by trust funds	1.4	1.7	–	–
Cash at bank and in hand	2.4	2.9	0.7	–
	(1.2)	0.7	(4.2)	(3.9)
Add short term deposits:				
Endowment asset investments	124.0	97.9	124.0	97.9
Current asset investments (excluding those held on behalf of related parties and other associated bodies)	47.3	69.3	47.3	69.3
Net funds	170.1	167.9	167.1	163.3

The bank overdraft includes cheques totalling £6.6m (2001: £4.9m) which have been drawn but not presented against the University's bank account as at 31 July. The management of cash resources provides for a transfer of funds from short term deposits to meet cheques as and when they are presented.

21 Capital commitments

	2002 £m	2001 £m
Commitments contracted at 31 July	98.6	95.1
Authorised but not contracted at 31 July	4.6	–

Of the capital expenditure committed at 31 July 2002, approximately 67% will be funded by specific grants and donations.

22 Contingent liabilities

The financial statements do not include the accounts of the Cambridge University Press Syndicate and the Local Examinations Syndicate. In the event of either of them not having sufficient assets to meet their liabilities, those liabilities would fall to be met by the University as a whole. At 31 December 2001 and 30 September 2001, the dates of their respective latest audited balance sheets, they had total assets which were in excess of their total liabilities. The possibility of the University's liability crystallising is therefore regarded by Council as remote.

23 Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Cambridge Contributory Pension Scheme (CPS). The assets of the schemes are held in separate trustee-administered funds. The USS and CPS are not closed, nor is the age profile of their active membership rising significantly.

The schemes are defined benefit schemes which are valued every three years using the projected unit method, by professionally qualified actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitments. The latest valuations for both schemes do not affect the employers' contribution rate.

The University's contributions to the USS and CPS are affected by a surplus or deficit in these schemes but the University is unable to identify its share of the underlying assets and liabilities in the schemes on a reasonable and consistent basis. The University therefore accounts for its contributions to these pension schemes as if they were defined contribution schemes as permitted by FRS17.

The assumptions and other data which have the most significant effect on the determination of the contributions levels are as follows:

	USS March 1999	CPS July 2000
Latest actuarial valuations		
Investment returns per annum	4.5%	9.0%
Salary scale increases per annum	3.6%	7.0%
Pension increases per annum	2.6%	6.0%
Market value of assets at date of last valuation	£18,870m	£265m
Proportion of members' accrued benefits covered by the actuarial value of the assets	108%	135%

NOTES TO THE FINANCIAL STATEMENTS (continued)

The University also has a small number of staff in other pension schemes: the Federated Superannuation Scheme for Universities (FSSU) and the National Health Service Superannuation Scheme (NHSSS). In addition the University makes payments to supplement the pensions of retired members of FSSU.

The total pension cost for the year was:	2002	2001
	£m	£m
Contributions to USS	17.2	15.2
Contributions to CPS	0.4	0.4
Contributions to other pension schemes	0.6	0.4
	18.2	16.0

24 Subsidiary undertakings

The following companies, all registered in England and Wales, were wholly-owned subsidiary companies throughout the year ended 31 July 2002:

Name	Principal activity
Lynxvale Limited	Provision of construction and development services
Cambridge University Technical Services Limited	Consultancy services and commercial exploitation of intellectual property
Cambridge Manufacturing Industry Links Limited	
Fitzwilliam Museum Enterprises Limited	Publishing of fine art books and sale of museum merchandise
The University of Cambridge Challenge Fund Limited	Providing funds to promote the transfer of research to business
The University of Cambridge Challenge Fund Trading Company Limited	
Cambridge University Environmental Projects Limited	Environmental projects

The accounting reference date for all subsidiary undertakings is 31 July, except for Fitzwilliam Museum Enterprises Limited, which has an accounting reference date of 31 January for commercial reasons. The effect of this is not material to the consolidated accounts.

In addition, the University is one of two equal members of Cambridge-MIT Institute Limited (CMI), a joint venture company limited by guarantee whose principal activity is the support of research and educational programmes. At 31 July 2002 and 2001 CMI had nil net assets. In the year ended 31 July 2002 it funded expenditure of £7.7m (2000/01: £2.0m) and its profit after tax was nil (2000/01: nil). During the year CMI reimbursed the University £1.9m (2000/01: £0.7m) for expenditure incurred on projects. As at 31 July 2002 the University was owed £662,000 (2001: £239,000) by CMI.

25 Related party transactions

During the year ended 31 July 2002 the University of Cambridge Local Examinations Syndicate, which is established and regulated by University Statute, transferred £3.8m (2000/01: £3.7m) to the University. This amount is included in other income.

During the year the Cambridge Foundation passed to the University third-party donations, including amounts credited to specific endowments, totalling £15.2m (200/01: £31.3m).

During the year the University contributed £2.5m in total (2000/01: £2.4m) to the Cambridge Commonwealth Trust, the Cambridge Overseas Trust and the Cambridge European Trust. This expenditure is included in General educational expenditure (note 7). These trusts, together with the Gates Cambridge Trust, in providing scholarships and otherwise, contributed approximately £6.0m (2000/01: £5.0m) to the University in academic fees.

At 31 July the University held the following investments on behalf of related parties	2002	2001
	£m	£m
University of Cambridge Local Examinations Syndicate	98.0	89.8
Cambridge University Press	9.0	9.2
Associated Trusts	62.6	63.4
Total included within current asset investments – see note 13	169.6	162.4

NOTES TO THE FINANCIAL STATEMENTS (continued)**26 Colleges**

There are 30 Colleges and one Approved Society (the Colleges) each of which is an independent corporation with its own property and income. The individual audited accounts of the Colleges, in a form specified by the University, are published in the *Cambridge University Reporter*.

During the year payments were made by the University from HEFCE funding in respect of the College fees of publicly-funded undergraduates of £29.4m (2000/01: £26.6m).

During the year certain Colleges made donations to fund University buildings and activities totalling £1.5m (2000/01: £0.6m).

Colleges Fund	2002	2001
	£m	£m
Balance at 1 August	0.5	0.6
Contributions received from Colleges	3.7	4.3
Interest earned	0.1	–
Payments to Colleges	(3.9)	(4.4)
	<hr/>	<hr/>
Balance at 31 July included in creditors	0.4	0.5
	<hr/>	<hr/>

The Colleges Fund is administered by the University on behalf of the Colleges, who make all contributions to and receive all allocations from the Fund. The transactions on the Colleges Fund are not included in the income and expenditure account.

27 Access funds	2002	2001
	£000	£000
Funding Council grants	588	567
Interest earned	13	6
	<hr/>	<hr/>
Disbursed to students	(601)	(573)
	<hr/>	<hr/>
Balance unspent at 31 July	–	–
	<hr/>	<hr/>

Funding Council grants are available for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

APPENDIX**CAMBRIDGE UNIVERSITY PRESS AND
UNIVERSITY OF CAMBRIDGE LOCAL EXAMINATIONS
SYNDICATE**

The totals below show a summary financial position at the year end for each body.
The accounting periods are not co-terminous.

	Press Syndicate	Local Examinations Syndicate
	31 December 2001	30 September 2001
	£m	£m
INCOME AND EXPENDITURE		
Income	132.8	123.6
Expenditure	(138.6)	(121.4)
Net (outgoing)/ incoming resources for the year	<u>(5.8)</u>	<u>2.2</u>
BALANCE SHEET		
Fixed assets		
Intangible fixed assets	–	3.8
Tangible fixed assets	42.0	27.1
Invested funds	34.4	75.0
	<u>76.4</u>	<u>105.9</u>
Current assets		
Stock & work in progress	36.0	1.0
Debtors	33.0	21.3
Investments	–	7.9
Bank balances etc	9.3	20.2
	<u>78.3</u>	<u>50.4</u>
Creditors		
Amounts falling due within one year	(30.1)	(30.6)
Net current assets	<u>48.2</u>	<u>19.8</u>
Long-term financing	(1.1)	–
Provisions for liabilities and charges	–	(1.5)
TOTAL NET ASSETS	<u>123.5</u>	<u>124.2</u>
Represented by:		
General reserve	113.2	109.3
Designated funds	10.3	0.9
Restricted funds	–	14.0
TOTAL FUNDS	<u>123.5</u>	<u>124.2</u>

The above figures are extracted from the financial statements as published in the *Cambridge University Reporter*. The University of Cambridge Local Examinations Syndicate accounts for the Year ended 30 September 2001 were published in Special number 17, The Cambridge University Press accounts for the Year ended 31 December 2001 were published in Special number 10.

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Editorial

Notices for publication in the *Reporter* should be sent to Rachael Tuley, Editor, Cambridge University Reporter, Secretariat, The Old Schools, Cambridge, CB2 1TN (tel. 01223 332305; fax 01223 332332; e-mail: rlt23@admin.cam.ac.uk). Copy should be sent as early as possible in the week before publication; short notices will be accepted up to **4 p.m. on Thursday** for publication the following Wednesday. Inclusion is subject to availability of space.

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