

FINANCIAL STATEMENTS 2014/15



We make the exceptional happen by challenging traditional thinking and defying conventional boundaries

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The run of success culminated in entry to the world's top 100 universities in the Times Higher Education World University Rankings.



This year we celebrate 60 years since our Royal Charter in 1955, and it has been an exceptional one for the University. We saw the University underline its UK status by being included in the top 10 of all three of the UK's league tables for the first time. *The Times/Sunday Times* (ranked 7th), *The Complete University Guide* (10th) and the *Guardian* (9th) are a triple crown that we are very proud of and this was topped off by being named Sunday Times 2016 Sports University of the Year for all of our sporting efforts on the pitch, in the lecture theatre and laboratory. The run of success culminated in entry to the world's top 100 universities in the Times Higher Education World University Rankings. These achievements are the result of a high performing, ambitious university and a product of hard work over many years from our students, our staff and the drive and vision of our senior leadership. I congratulate them all for their outstanding contribution to Exeter's success.

External recognition of our work is always welcome but a particularly pleasing aspect of last year is the way in which we have grasped the challenge of change, addressing internal organisation and processes to ensure our professional services are serving the future needs of the University, not those of the past. Council commissioned a major transformation programme at the end of 2013/14, consisting of a number of projects, addressing nearly all aspects of our support services. An important part of this change programme is to achieve a significant increase in our recurrent surpluses of £25m per year in order to reinvest in facilities and equipment to

sustain an organisation of our size and breadth. A number of projects are now underway – *Technical Services*, *Future Finance*, *Procurement*, *One Exeter IT* to name only four – and in 2014/15 we commenced and concluded voluntary severance and planned academic retirement schemes. The success of the schemes will facilitate planned organisational change and contribute towards our financial targets. There is more to do and the transformation programme will continue over the next year with the aim of fully realising our goals and financial targets over the coming years.

Changes to internal structures and new ways of working are important, but even more important is adopting and delivering the right strategies ensuring we remain a Global 100 university. Work is now underway to review all of our strategies, providing a clear future focus.

An outstanding year was accompanied by an exceptional financial year, as these financial statements demonstrate. Growth, cash generation and investment go hand in hand and last year we delivered all three. As an example, the results of the Research Excellence Framework 2014 were rewarded with a 20% increase in our annual research grant from 2015/16 onwards.

I look forward to reporting on the University's progress next year. Armed with this year's all-round good results we stand in an exceptional position to continue from strength to strength.



Sarah Turvill

Sarah Turvill,
Chair of Council

The Athena Swan programme continues to go from strength to strength with a Bronze award achieved for the Biosciences department at Exeter.



HIGHLIGHTS¹

PERFORMANCE

- Total income: **£339.5m** (£304.5m), up **11.5%**
- Historical cost surplus for the year: **£19.5m** (£1.9m)
- Earnings (EBITDA²): **£46.2m, 13.6%** of total income (£19.8m, 6.5% of total income)
- Staff cost ratio: **52.1%** of income (54.5%)

INVESTMENT

- Capital expenditure: **£44.2m** (£40.3m)
- Capital grants: **£12.4m** (£7.3m)

LIQUIDITY AND DEBT

- Total debt: **£199.8m** (£203.8m)
- Total cash and cash deposits: **£100.4m** (£107.0m)
- Net debt: **£99.5m** (£96.9m)

FINANCIAL STRENGTH

- Net current assets ratio: **1.99** (2.13)
- Net assets: **£552.2m** (£540.2m)

¹ Comparative data for the prior year 2013/14 is shown in parentheses throughout the Business Review

² EBITDA Earnings before Interest, Taxation, Depreciation and Amortisation, based on the definition set by the sector's Financial Sustainability Strategy Group.

SCOPE OF THE FINANCIAL STATEMENTS

These Financial Statements cover the University of Exeter, its subsidiary undertakings and joint ventures and have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education (2007), and relevant financial reporting standards issued by the Financial Reporting Council.

RESULTS FOR THE YEAR

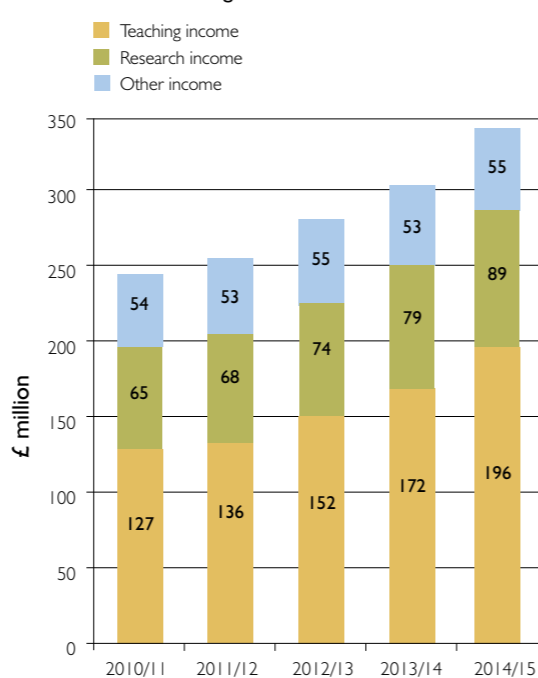
An outstanding year academically has been accompanied by an outstanding year financially. The academic success highlighted in the Chair's Foreword was accompanied by an 11.5% increase in total income to £339.5m (£304.5m in 2013/14), an Historic Cost Surplus for the Year of £19.5m (£1.9m), EBITDA of £46.2m (£19.8m) which increased for the second consecutive year, whilst maintaining a high level of capital investment at £44.2m (£40.3m).

The financial results for the year include a small number of material non-repeat items including an R&D tax incentive receipt from HMRC, a re-financing fee from a University partner, a legacy and staff severance costs. These items have added £11.4m to total income and EBITDA and £2.2m to the Net Surplus for the Year. The table below shows the headline figures in the financial statements and then adjusts for these to show a normalised position, to better judge the underlying level of financial performance:

	Income £000	EBITDA £000	Net Surplus £000
Financial Statements 2014/15	339,495	46,163	19,476
<i>adjustments for material non-repeat items:</i>			
HMRC R&D Expenditure Credit	(7,579)	(7,579)	(7,579)
HMRC R&D Expenditure Credit tax deduction			1,743
Material one-off receipts	(3,850)	(3,850)	(3,850)
Exceptional costs			7,452
	(11,429)	(11,429)	(2,234)
Normalised Income/EBITDA/Net Surplus	328,066	34,734	17,242

The 2014/15 year was the third year of the £9,000 tuition fee with the majority of undergraduates from home/EU countries now contributing at this level. Tuition fee income from home/EU undergraduates increased by 31% over the year, standing at £109m, as the third cohort entered the University under the £9,000 system, while the continued phasing out of teaching grant for all but high cost disciplines and to support student opportunity, reduced by 36% to less than £14m. Fees from international students increased by 8% to £52m.

Total Income growth and sources

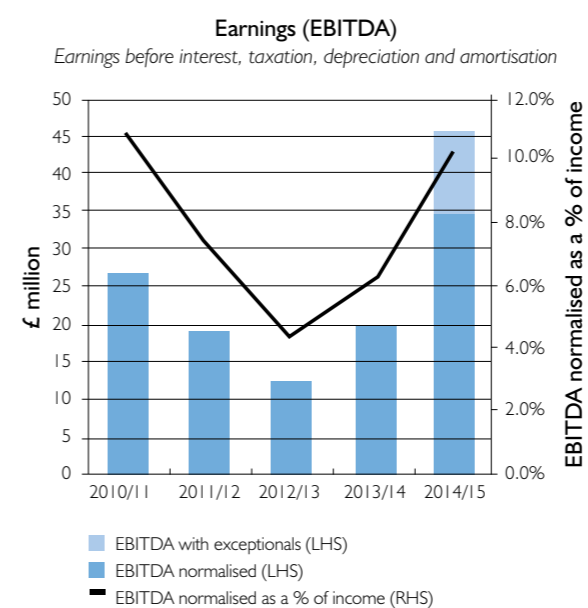


Income from research, comprising research grants and contracts along with HEFCE research grant, rose to £89m, although this included a receipt of £7.6m from a Government incentive scheme, covering a 28 month period from 1 April 2013 to 31 August 2015. In the Chancellor's last budget the eligibility of universities to apply for the scheme was removed.

In November 2014 the results of the national Research Excellence Framework 2014 (REF2014) were published and this was followed up in March 2015 with the announcement of its financial outcome. The University has invested significantly in recruiting high calibre academic staff to drive up both its research volume but also, and critically, research quality. The University was one of only three Russell Group universities to be awarded a cash increase in research grant for 2015/16 onwards, rising by over 20% to £23m per year.

More pleasing than the rise in total income is the rise in the cash operating surplus or EBITDA. The University has adopted EBITDA as its key financial performance indicator, setting a target level that is sufficient to fund a sustainable level of capital investment each year and service debt. The EBITDA graph shows that 2015/16 was the second consecutive year in which EBITDA increased in both absolute terms and relative to income, reversing a former downward trend.

2014/15 contained a small number of material non-repeat items discussed above so the graph shows both the *all-in* level of EBITDA as well as its *normalised* level, excluding these non-repeat items to better judge the underlying level of financial performance.



While total *all-in* EBITDA has increased by £26.4m to £46.2m, if it were *normalised* for these material non-repeat items the increase is still a healthy £14.9m, taking *normalised* EBITDA to £34.7m or 10.2% of total income – a level that exceeded the budget set by Council.

At the beginning of last year the University recognised it needed to implement a programme of change to ensure its professional services were configured to meet future challenges but also to increase EBITDA that had been gradually diluted over time as cost inflation, especially pay and pensions, exceeded price inflation. During last year the University commenced its Transformation Programme, comprising a number of major projects. As a first step it implemented a voluntary severance scheme which saw about 300 staff leave the University's employment. While the financial benefits of the transformation programme had a minor impact on the 2014/15 results, properly flowing through in 2015/16 onwards, a general focus on efficiency had a favourable impact upon last year's results as managers gave greater emphasis to controlling costs. All senior managers outperformed their budgets.

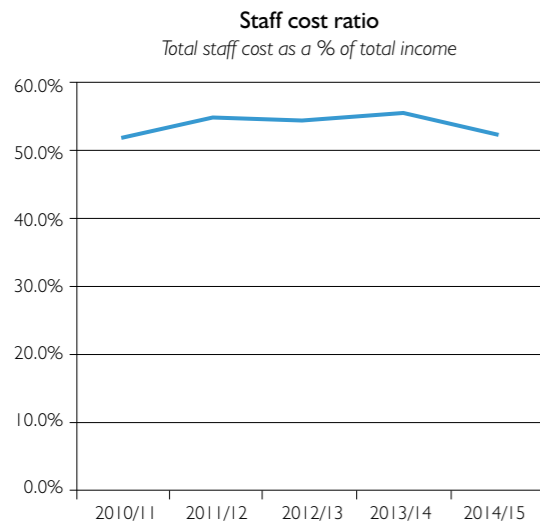
The voluntary severance exercise completed last year exceeded expectations, with a total of 283 staff leaving the University's employment, most in June 2015 and some scheduled to leave in October and November 2015. Applications for voluntary severance were accompanied by business plans proposed by managers to demonstrate savings and how workload and business continuity issues would be addressed. A number of business cases included some form of replacement posts, either at lower grades and/or fewer numbers. Severance payments amounted to £7.5m producing full-year savings, net of any approved replacement posts, of £5.8m per year. The majority of these savings accrue from June 2015 onwards so had a minor impact on the last financial year but will benefit the following year and beyond.

The historic cost surplus of £19.5m (£1.9m in 2013/14) represents a big improvement upon last year and is after taking into account the one-off costs of staff severance of £7.5m as well as the material one off receipts of £9.9m which includes the HMRC R&D expenditure credit.

The surplus for the year, which reflects the impact of higher depreciation charges arising out of the revaluation of fixed assets, was £13.8m, reversing the deficits posted in the last two years (£1.6m in 2013/14 and £1.1m in 2012/13).

Staff costs rose by 5.1% over the year, reflecting a 2% pay award in August 2014, along with increments and a 4% increase in the numbers of academics and researchers. Even so the year saw a fall in the staff cost ratio as a result of efficiencies made during the year, with the impact of the staff severance exercise only having a minor impact in 2014/15.

In April 2016 the sector will face a 12.5% increase in the annual cost of funding its main staff pension scheme, along with an increase in employers national insurance, adding over 2% to the total pay bill following the Government's decision to abolish the contracted out rebate on employers' national insurance. These increases, along with the impact of the severance scheme have been fully reflected in the University's financial plans.



KEY PERFORMANCE INDICATORS (KPIs)³

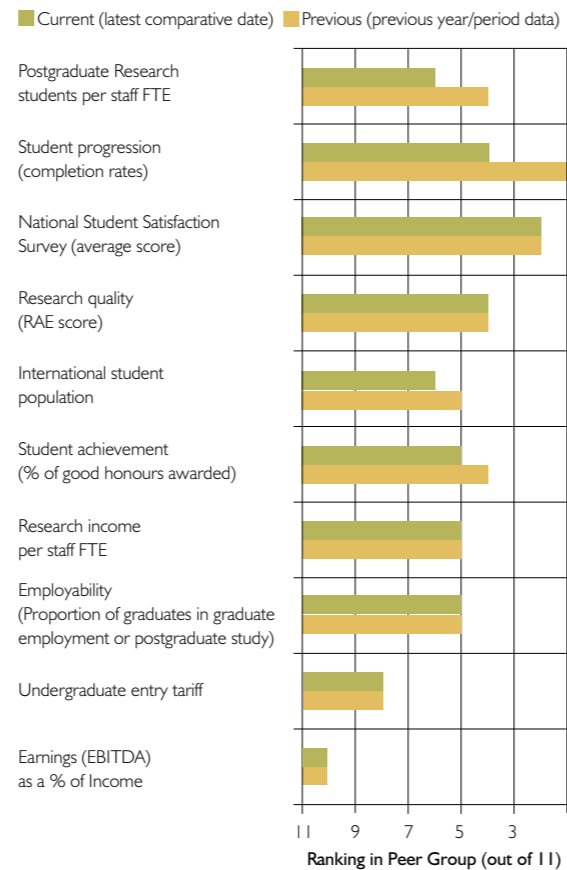
The University has a particularly strong focus on performance management. To measure the degree to which we are fulfilling our strategic objectives, we use 10 KPIs benchmarked to a peer group of 10 institutions.

These universities are chosen because, like Exeter, they are research-intensive, offer a broad range of academic disciplines and are usually ranked in or around the top 10 in the majority of the UK league tables.

Because comparative data is not available for the current year, the table below includes lagging data so care needs to be taken over interpretation of the comparisons.

The table below shows that on 6 out of the 10 indicators, the University ranks in the top 5.

Key Performance Indicators
Rankings in Peer Group



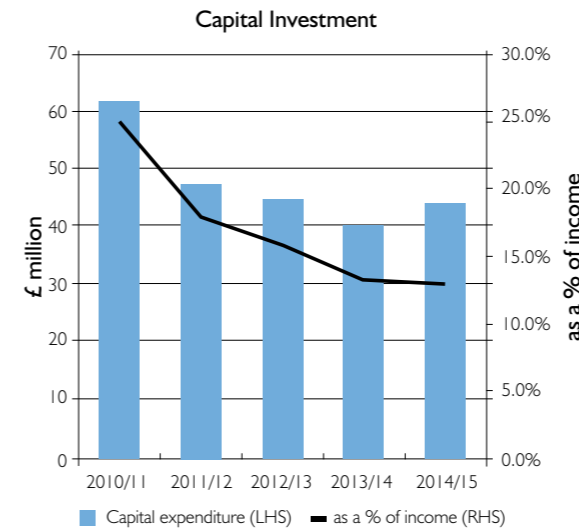
Sources
HESA 2013/14 Student Return
Destination of Leavers from Higher Education (DLHE) Survey 2014
National Student Survey (NSS) 2014
HESA 2013/14 Finance Return
Research Excellence Framework (REF) 2014



³ Ranking of comparative data is based on the latest publicly available data sets to ensure like-for-like comparisons. For example, financial KPIs are based on 2013/14 published data not 2014/15 data which is not yet published for comparator institutions.

INVESTMENT, LIQUIDITY AND DEBT

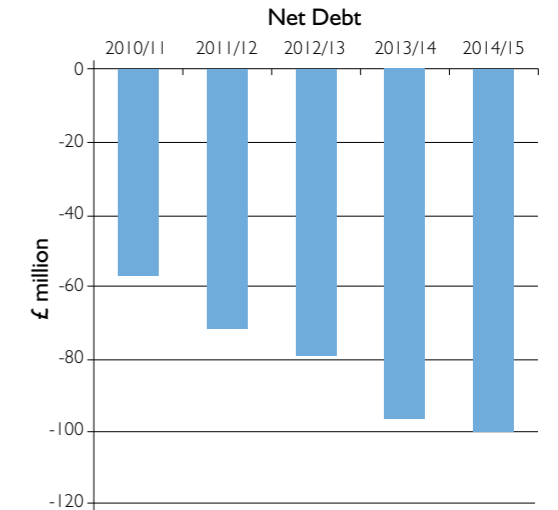
Investment in capital projects remains high, exceeding £40m per year for the last five years, which is considered the level of annual capital expenditure required to support the University's planned development.



Capital projects completed in the last year include a major refurbishment and extension of the South Cloisters building on the St Luke's campus for the Medical School and the completion of the Science and Engineering Research Facility on the Penryn campus. Work continues on the Living Systems Institute building which is due to complete in the first half of 2016/17.

In September 2013 the University drew down its £70m loan from the European Investment Bank ahead of need in order to secure an attractive fixed interest rate. This loan is financing the current and future capital programme. One consequence of drawing the loan ahead of need is that the University is currently holding high cash balances which are then planned to decline as the capital programme is delivered. This will result in net debt increasing in the near term as cash converts to fixed assets. However, in commissioning the Transformation Programme the University paused on planning new major capital projects, and started to focus on transformation delivery. As is evident, this year's exceptional financial performance has also provided a fillip to cash generation. So while cash and short term deposit balances have declined over the year, they have only reduced by £6.6m to stand at £100.4m as at 31 July 2015. As a result of all these factors net debt increased by a modest amount over the year. But as capital planning returns to normal, net debt will increase as we deploy our high level of cash balances to fund future investment. High net debt is the counter part of high investment. It is affordable if it is

supported by a level of EBITDA that is at a sufficient level to fund debt servicing costs and sustain an annual capital programme of around £40m per year. This is exactly what the Transformation Programme has set out to do and we are on trajectory to achieve our financial targets.



The University holds £25m of undrawn loan facilities and has no current plan of drawing upon this facility over the next year.

PHILANTHROPY AND ENDOWMENTS

During the year a new directorate Global Engagement and Development was created to focus on developing relationships with corporate partners and on philanthropic giving. A Campaign Board has been created and targeted with raising £60m to support the University.

Money raised during the year can be shown in a number of places throughout the financial statements. The table below brings these together to show the amount recognised in 2014/15:

	2014/15 £000	2013/14 £000
New Endowments <i>in the balance Sheet</i>	1,460	2,238
Donations <i>in the income & expenditure account</i>	1,014	170
Capital Grants <i>in the balance Sheet</i>	1,014	1,078
Total from Philanthropy	3,488	3,486

Included in donations is a legacy from a long-term donor, Mr Philip Booth, who sadly died in November 2014. A long-standing supporter of biological research, Mr Booth bequeathed five properties in Sheffield to the University and this legacy will support research in biological and life sciences. Endowments stood at £33.2m, delivering a return of 8.4% net of fees over the year against an absolute return target set by the University of 5.0% (RPI+4%).

PENSIONS

Pensions remain a significant liability. The Universities Superannuation Scheme (USS) is a national multi-employer scheme with nearly £50 billion of net assets. It has recently completed its triannual actuarial valuation and reached agreement with employers and employee representatives about changes to future benefit structures. From April 2016 the final salary section of the scheme will be closed and all members will accrue future benefits on a career revalued earnings basis and then, from October 2016, these benefits will accrue to a salary cap of £55,000, beyond which a defined contribution scheme will apply. The employer contribution rate will increase from 16% to 18% of pay while employee contribution rates will increase to 8%, effective from April 2016. The scheme deficit, covering all employers has risen from £2.9 billion as at March 2011 to £5.3 billion at March 2014. The University's share of the USS deficit is not reflected on the balance sheet as USS is a pooled multi-employer scheme that cannot reliably separate out each institution's share of its assets and liabilities. However, from 2015/16 onwards changes to accounting rules will require the University to recognise its liability to fund the USS deficit recovery plan.

Support staff are offered the Exeter Retirement Benefit Scheme (ERBS) which is currently undergoing its triannual actuarial valuation. The £29.5m deficit assessed in April 2012 is expected to have increased. The current employer contribution rate of 22.5% exceeds the 20% affordable level set by Council, and the University is currently engaged with Trustees and trade union representatives over proposed benefit reforms to bring the cost of funding pensions within the target affordability limit set by Council.

RISKS

The Vice-Chancellor's Executive Group has full responsibility for risk management within the University. During 2014/15 a new dual assurance portfolio for risk management was created in order to strengthen governance over the management of risk.

The top three risks are:

International recruitment: is subject to increased competition in the postgraduate taught market. The University has increased marketing budgets, adopted a new digital marketing strategy and implemented various incentive schemes in order to help achieve recruitment targets.

INTO: a joint venture with INTO University Partnerships, is vulnerable to evolving government policy with respect to the student immigration system and changing English language and visa entry requirements. The University has been assisting INTO University Partnerships in lobbying to ensure Government proposals do not result in unintended consequences. This issue is evolving as the new Conservative majority Government seem intent on increasing visa restrictions on international students as part of their immigration policy. If changes are implemented this is likely to have an adverse impact on the INTO business model but less so on direct international recruitment by the University itself.

Delivering student expectations: the University suffered a drop in the 2015 National Student Satisfaction survey, which is a concern. Addressing the results of the NSS is a high priority for 2015/16 and a comprehensive mitigation strategy is in place to impact the results of future surveys.

FUTURE OUTLOOK

Student recruitment has been on target in 2015/16 and the results of REF2014 have converted into a 20% increase in research grant for 2015/16 onwards.

The better than expected outcome of the voluntary severance scheme has generated recurrent savings that exceed that budgeted and the remaining elements of the Transformation Programme are ahead of schedule. Whereas in July 2014 the financial target of increasing EBITDA by £25m per year was little more than a target, to date £11m of savings have been secured and removed from spending budgets, £9m is subject to approved business plans leaving £5m as yet unidentified. Great progress has been made in identifying and delivering the financial benefits of transformation, while the opportunity to reconfigure our professional services to ensure they are supporting our academic plans and service requirements is being firmly grasped.

We await the challenges of the Government's 2015 Comprehensive Spending Review and how this might impact on higher education sector finances.

The 2014/15 year is the last we will be reporting under current accounting standards. From 1 August 2015 a new accounting standard (FRS102) accompanied by a new Statement of Recommended Practice comes into force.

Council have adopted revised accounting policies and it is likely that in future reported performance will be more volatile.

As we enter our diamond jubilee year, the University is developing a new set of corporate strategies – covering education, research and business innovation and impact – focused on sustaining our recently gained status as a global 100 University, with an eye to REF2020. These will ensure the University is able to maintain its high academic standards, reputation, and student satisfaction so that it can continue its success in a world of greater competition.

GOING CONCERN

In July 2015, Council approved the five year financial forecasts submitted to HEFCE, including income and expenditure, cash flow and balance sheet. Council is confident that it will be in a position to meet all of its financial obligations, cash commitments and banking covenants over the next 12 months and will continue to operate for the foreseeable future. These financial statements have been prepared and approved by Council on a going concern basis.

DISCLOSURE OF INFORMATION TO AUDITORS

The Councillors who held office at the date of approval of the financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditor is unaware; and each Councillor has taken all the steps that he/she ought to have taken as a Councillor to make himself/herself aware of any relevant audit information and to establish that the University's auditor is aware of that information.

Andrew Connolly
Chief Financial Officer
26 November 2015





The Royal Charter sets out the University of Exeter's charitable objectives which are primarily about the advancement of education. Our mission statement sets out how we act for the benefit of the public:

"We transform lives through the power of higher education. A leading international university, we undertake ground-breaking research and deliver a world-class student experience in a campus environment of outstanding natural beauty."

In the following pages each of these key elements are examined in greater detail.

TRANSFORMING LIVES THROUGH THE POWER OF EDUCATION

The University of Exeter is committed to an extensive outreach programme to students of all backgrounds, to help them recognise the benefits of higher education and to encourage them to aspire to university. Our admissions policy ensures that no student who can meet our entry requirements is deterred from applying and all applications are considered and evaluated on the basis of individual potential. Our aim is to admit aspiring students from across society and to encourage them to achieve great things.

Widening participation

In 2014/15 there were 20,212 students at the University, of which 4,186 were postgraduates: 71 per cent of home/EU undergraduates came from state schools and 29 per cent from independent schools.

For more than a decade the University has been working at the forefront of a widening participation and fair access policy. In the 2014/15 Access Agreement, the University budgeted £10.8 million of additional fee income to fund outreach activities and means-tested bursaries for undergraduate students from poorer backgrounds. A total of 3,932 undergraduate students received means-tested support during the year, representing 29 per cent of home/EU undergraduate students. Students can also apply for a number of course-specific and merit-based scholarships in music and sport.

Engaging the community and raising aspirations

Excellence in Exeter and the Cornwall Excellence Awards are annual events organised by the University of Exeter, aimed at forging links between the University, local schools and colleges, as a way of encouraging young people to engage with higher education. Pupils' achievements, whether academic, sporting, artistic or in the community are recognised and heralded by the parents, staff and fellow students at the events. The University hosts other showcase educational events for local schools and communities such as the Big Bang science celebration and Science in the Square in Falmouth.

Our Environment and Sustainability Institute is already making a positive impact, with ground-breaking findings in the fields of conservation and sustainability in Cornwall. Staff work with local children, inviting them onto campus for various events to inspire them to consider a future career in academic research.

We also run Community Challenge, which entitles all University staff to one paid day a year to undertake volunteering in the community.

Arts and Culture

The University contributes to local arts and cultural activities within Exeter and the wider community in Devon and Cornwall, including ongoing financial support for the Northcott Theatre.

Throughout the year, the Music Office work tirelessly to support student extra-curricular music. There is a continual programme of musical events, festivals and performances from orchestras to ceilidh.

The Arts and Culture team co-ordinate a back-to-back series of exhibitions in the Forum Street. Last year saw the very successful exhibition of the Paris Fine Art Salon, curated by Dr Alister Mill of the Department of Modern Languages. This year witnessed "From Cowboys to Astronauts – moving towards a circular economy."

A LEADING INTERNATIONAL UNIVERSITY

In the latest Times Higher Education world league tables, Exeter was ranked 93rd. Our vision is to be a leading international university, recognised for quality global research and a distinctive student experience.

Our international student population represents around one fifth of all students at the University in 2014/15. Recruiting international students enriches the academic community by promoting awareness and understanding of different cultures, races and religions as well as contributing to the local and national economy.

In April 2015 the University was voted the top university in the UK for international student experience at the Whatuni Student Choice Awards. More than 20,000 university students from across the UK cast their votes to decide who should win the coveted award.

We are proud to be able to attract students from more than 130 different countries and to employ staff from 76 countries. A wide diversity of social cultures are supported through free events such as the Chinese New Year celebrations and Diwali which are open to all staff, students and local residents.

GROUND-BREAKING RESEARCH

Much of our research creates a distinctive and measurable impact on society. We are one of the fastest growing research universities and demonstrate world-class research in all of our subject areas. Our research is often undertaken in partnership with governments, industry, charities and other social organisations, which ensures its relevance to societal need and that the results are of benefit to us all. University of Exeter researchers continue to make major contributions in a wide range of disciplines including food security, graphene, diabetes, climate impact, the digital economy, global uncertainty, social change, extrasolar planets and renewable energy.

Our portfolio of research is worth around £240 million and during the year our income from research grants and contracts was £70 million. This is forecast to grow rapidly over the next five years because of our continued investment in new research staff and facilities.

In March 2015 the University was amongst the top three in England to receive additional government research money from the Higher Education Funding Council for England (HEFCE). The additional award of £3.8 million for future years was as a result of the University's performance in the Research Excellence Framework (REF2014), in which it was ranked 16th nationally when assessed against the highest four star grade for world-leading research.

The topping-out ceremony in July at the £52.5 million Living Systems Institute (LSI) building marked a major milestone in the construction of this ground-breaking facility. The new research facility is due to open in Autumn 2016 and will focus on new approaches to understanding and diagnosing disease. The new facility will bring together world-class researchers across a range of disciplines to work together to develop new ways of looking at biological problems.

At our Penryn Campus, the Environment and Sustainability Institute works with businesses in Cornwall and the Isles of Scilly, to translate research and expertise into innovative business practices, products and services in order to respond to the challenges of environmental change. A £5.5 million development at the campus will see expansion for the University's Business School, Marine Renewables team and Centre for Ecology and Conservation.

We are committed to the principles of the Athena SWAN Charter which aims to support and encourage gender equality within Science, Technology, Engineering, Mathematics and Medicine. The University added to the number of awards in April 2015 with the addition of a Bronze for the Biosciences department in Exeter and was

also successful in renewing its Bronze institutional level award. The College of Life and Environmental Sciences at the Penryn campus in Cornwall progressed from Bronze to a Silver award.

A WORLD CLASS STUDENT EXPERIENCE

We have a student-focused philosophy emphasising the active engagement of students in all aspects of university life and developing their capacities as agents of change. The university experience is highly rated by students, placing the University joint fourth for overall student satisfaction in the UK National Student Survey and seventh in the UK in the 2014 Times and Sunday Times Good University Guide.

Quality teaching and learning

The quality of learning and teaching is central to our success. Our educational mission is to create an internationally exceptional educational experience for all students that equips them to make a positive difference in the world. We aim to ensure students are inspired by intellectual challenge and acquire expertise within and beyond their chosen academic field. We develop their skills to enable them to become imaginative and critical thinkers and problem solvers, active global citizens, creative and enterprising team players, and engaged and participative leaders able to effect change. This strong emphasis on the wider purpose of our educational provision and on the impact that our graduates make in the world, ensures public benefit long after our students graduate.

We pay close attention to the continuous improvement and appoint, develop and reward first-class educators. Our disciplinary communities of staff and students foster a strong sense of belonging and a culture of quality and innovation. University-wide systems assure quality and see educators and students working together, supported by professional support staff, to monitor, review, plan and deliver first-class education. Central university boards oversee quality across disciplines and lead the implementation of the University's education strategy, headed by the Deputy Vice-Chancellor for Education.

Spring 2015 saw the £10.5 million refurbishment project of the South Cloisters building on the St Luke's Campus open its doors to students. The building now offers new high-quality student learning and study spaces, and is part of the wider programme of modernisation of the campus which has a strong emphasis on health and wellbeing. In addition to the new education facilities, the extensive remodelling also offers a high-quality research environment.

Active and engaged students

Our students are active in their local communities, providing thousands of volunteer hours a year helping local elderly, disadvantaged and disabled people. The University, the Students' Guild in Exeter, and FXU in Penryn, work hard to integrate students into the local community through the use of special community wardens, residents' liaison groups and educational programmes around issues such as late night noise and refuse collection. In Exeter, existing community projects have been enhanced this year with the introduction of discipline-based volunteering schemes which link students to local residents via their academic specialisms. One of the most notable successes of the year has been classics students supporting Exeter College to introduce the Classics A-Level course, and organising activities on campus for these pupils to build aspirations to pursue the subject at a higher level.

Students in Exeter are taking the lead in the development of sustainability projects with funding and guidance from the Students' Guild's newly established Students' Green Unit. They work closely with the University's academics and a wide range of local charities and partner organisations. To date, the project has provided almost £25,000 in funding to 17 student-led projects and, in May, was awarded the International Sustainable Campus Network Excellence Award for Student Leadership. Each project aims to educate students, staff and local residents in order to facilitate behaviour change that will promote sustainability on campus and in the community.

Improving employability

Work experience, student business projects and volunteering opportunities are all available for students to increase their employability. Grand Challenges provides knowledge and understanding of our world-leading research and the impact it has, as well as a range of transferable skills to enhance employability, while the Exeter Award helps students to gain skills that enhance career prospects.

We enjoy links with hundreds of international, national and regional companies and organisations; many of which specifically target Exeter graduates. This has been further enhanced by the creation of the Career Zone, a student employability centre within the Forum in Exeter. In Penryn, The Exchange – a £10 million learning, teaching and research hub – has enhanced the student experience, providing access to the full spectrum of academic and support services in one space.

The Exeter University Officer Training Corps provides a link between students and the British military. The unit runs the Jubilee Challenge, part of the annual Ten Tors event, for special needs children and adults and supports various other charities such as DecAid and SSAFA.

BEAUTIFUL CAMPUSES

All three of the University's main campuses are set in attractive environments. Our largest campus, Streatham Campus, is a beautiful 1860s arboretum, with hundreds of magnificent trees from all continents.

We are committed to the principles and practice of environmental sustainability throughout the institution. We aim to reduce the environmental impact of our operational activities and make a positive contribution to the local environment through estate management. Both the Streatham and St Luke's campuses received a Green Flag award in 2014/15.

The University uses the BRE Environmental Assessment Method (BREEAM) as a tool for delivering sustainable buildings. All of its new developments aspire to achieving "BREEAM Excellent". The Environment and Sustainability Institute at the Penryn Campus achieved "BREEAM Outstanding"⁴.

MAKING A DIFFERENCE TO THE SOUTH WEST ECONOMY

We contribute not only financially to the region, but also provide a graduate workforce that raises productivity and stimulates economic growth. The future opportunity is to increase collaboration with both business and government, exploiting and supporting regional specialisations, to deliver even more regional success for the South West.

In revenue terms, we contribute almost £600 million each year to the region; and a study by independent economic analysts, Oxford Economics, confirmed that the University of Exeter and Falmouth University, who share and jointly manage the Penryn Campus, have contributed £491 million to the economy of Cornwall and the Isles of Scilly between 2002 and 2012.

We are aware of our duties with regard to public benefit and are conversant with the Charity Commission guidance in this area. Charity Commission guidance on public benefit has been considered when setting objectives, planning future activities and in writing the above statement.

⁴ BREEAM (BRE Environmental Assessment Method) is the leading and most widely used environmental assessment method for buildings. 'Outstanding' is the highest classification.

The following statement is provided to enable readers of the Financial Statements of the Group, which comprises the University and its subsidiaries, to obtain a better understanding of the governance, management and legal structure of the University.

PRINCIPLES OF OPERATION

The University conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen in its Guide for Members of Higher Education Governing Bodies in the UK. It also fully complies with the code for governance as set out in this guidance.

LEGAL STATUS OF THE UNIVERSITY

The University is an independent corporation, whose legal status derives from a Royal Charter granted in 1955. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, and approved by the Privy Council.

The University is an exempt charity whose charitable affairs are regulated by the Higher Education Funding Council for England.

The University operates from three campuses: Streatham and St Luke's in Exeter, and Penryn in Cornwall.

GOVERNANCE

The Charter and Statutes require the University to have two separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** – is the supreme governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. Council comprises 22 members, the majority of whom are drawn from outside the University, described as lay members. Council members are the trustees of the Charity. The Chair of Council is drawn from the lay membership. Representatives of staff and the student body are also members. No member of Council receives payment for fulfilling the role of member, although out of pocket expenses are payable. The Acting Secretary of Council is the Chief Financial Officer. Council met seven times during 2014/15, including one away day.

A Standing Committee of Council has been established to consider urgent issues between meetings of Council. This Committee will not make major strategic decisions but will follow up any decisions of Council which need a governance overview e.g. in relation to completion of legal or financial agreements. The membership consists of the Pro-Chancellors, the Vice-Chancellor and Chief Executive, the Provost, the Chief Operating Officer, the Senior Deputy Vice-Chancellor and a senior lay Member of Council. Officers such as the Chief Financial Officer may attend meetings. The Committee has not met during the financial year.

- **The Senate** – is the academic authority of the University and draws its membership from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.

Council has three committees: Audit Committee, Nominations Committee and a Remuneration Committee.

- **The Audit Committee** – is appointed by Council and consists of members with no executive responsibility for the management of the University. Its Chair is an independent member of Council. The Committee is authorised to investigate any activity and seek any information it requires from any employee. The Committee is responsible for reviewing and commenting on the University's financial statements along with its arrangements for governance, internal control, risk management and for data assurance. The Committee considers detailed reports from the University's external and internal auditors. It meets four times a year with the University's senior officers and the external and internal auditors in attendance. At least once a year the Committee meets the auditors without the University officers present.
- **The Council Nominations Committee** – is responsible for making recommendations to Council in relation to nominations for the posts of Chancellor, Pro-Chancellor and Chair of Council. It also makes recommendations in relation to the nominations for lay members of Council, to other Council committees and to joint Senate and Council committees as well as Trusts associated with the University. The Committee comprises five lay members, three of whom are the University's Pro-Chancellors, the Vice-Chancellor and the Provost.
- **The Remuneration Committee** – The Remuneration Committee is responsible for determining the Reward Strategy of the University and for setting the remuneration of the senior managers of the University - including the Vice-Chancellor, the Chief Operating Officer and other members of the Vice-Chancellor's

Executive Group (VCEG) including Pro-Vice Chancellors – within the parameters of the Reward Strategy. It also reviews the decisions taken by the Professorial and Senior Salaries Committee on the remuneration of Professors and senior staff within the Professional Services, with special reference to the equality impact of these decisions. The Committee is responsible for the Executive Performance Reward Schemes for members of VCEG, Deans, College Executives and Directors of Professional Services.

The Committee is chaired by the Chair of Council and has four other lay members; the Vice-Chancellor and the Provost are also members of the Committee. The Chief Operating Officer and the Director of Human Resources attend meetings in an advisory capacity. No member of staff is present for the discussion of their own remuneration. The Committee meets at least twice each year.

The University also has formal standing committees in the areas of Health & Safety and Ethics.

DUAL ASSURANCE

The University's business is governed through a mechanism known as dual assurance operating in twelve business areas: finance and investment; research, innovation and impact; human resources and health and safety; equality and diversity; infrastructure and environmental sustainability; information technology; education; global engagement and development; risk; external affairs; sport and wellness; and ethics. The dual assurance partnership in each of these business areas involves two people - a member of the Vice-Chancellor's Executive Group and a lay member of Council.

The dual assurance mechanism is designed to minimise the number of committees, empower senior managers, speed up decision-making and make the most of the talents of lay members. Its fundamental purpose is to enable the lay member to provide assurance to Council that activity is well-managed and that decisions have been reached following due process and appropriate consultation and thereby strengthening the accountability of senior management to Council.

REMUNERATION

The Committee met on three occasions in the financial year 2014/15 and again at the beginning of the 2015/16 autumn term. During these meetings, the Committee considered the following matters:

Executive Reward

The Committee reviewed the University's approach towards executive reward in 2013/14 as part of its new Reward Strategy and agreed new arrangements from 2014/15.

Under these arrangements, the University will pay a competitive salary informed by appropriate market intelligence bearing in mind that market levels are significantly different for different academic subject and profession groupings. The remuneration paid will also depend on the University's performance and the overall affordability of the total reward arrangement to the University's financial position. Generally salaries will be based on the median rate appropriate to the subject or profession area but high performing and high value academic staff and senior managers will be paid towards the top end of the relevant comparator group to ensure that the University is able to recruit, retain, and reward staff who will deliver the University's strategies and objectives.

In addition, members of the Vice-Chancellor's Executive Group and Directors of Professional Services have the opportunity to earn more, taking their total reward close to the top end of the market, through the Executive Performance Reward Scheme.

In 2014/15, the Committee reviewed the salaries of members of the Vice-Chancellor's Executive Group and Directors of Professional Services in accordance with this more structured approach towards executive reward. Information about increases which were agreed was reported to lay members of Council.

Executive Performance Reward Scheme

Under the Executive Performance Reward Scheme, which was reviewed in 2013/14 and introduced in its revised form in 2014/15, senior managers are considered for a performance reward each year, with part of the annual performance reward being conditional upon the University achieving annual corporate targets and part upon the role holder achieving annual personal targets agreed by the Committee. In addition, to recognise long-term performance, the Committee has set three year targets for members of the Vice-Chancellor's Executive Group for 2014/15 to 2016/17, with the opportunity for a performance payment at the end of this three year period subject to achievement of the long-term targets. The Executive Performance Reward Scheme implements the Reward Strategy principles of rewarding excellence and balancing long-term objectives and achievements with annual objectives and achievements.

At the beginning of the year, the Committee made decisions on payments under the Executive Performance Reward Scheme in respect of performance during 2013/14. The amounts paid were included in the data on remuneration of higher paid staff in the 2013/14 Financial Statements. Information about awards made under the Scheme was also given to Council in the annual discussion on the work of the Committee which was introduced this year.

The Committee agreed the annual corporate targets for 2014/15 and the Long-Term Targets for 2014/15 to 2016/17 under the Executive Performance Reward Scheme. The Committee also scrutinised and agreed the annual personal targets for 2014/15 for senior managers participating in the Executive Performance Reward Scheme.

Professorial Pay

The Committee reviewed the outcomes of the first meeting of the new Professorial and Senior Salaries Committee, (which has been delegated responsibility for making decisions on the remuneration of Professors and senior staff within the Professional Services). In particular, the Committee reviewed the equality analysis of the outcomes of the Committee.

Reward Strategy

The Committee received regular reports on the progress of the Reward Strategy. The Committee noted the progress of the working group which had been established to develop proposals for the remuneration of Professors using a banding system, similar to arrangements already in operation in more than half of Russell Group institutions. The Committee noted the introduction of new arrangements for rewarding excellence for staff in grades B to H. These arrangements implement the Reward Strategy principles of transparency, equality and rewarding excellence and competency.

Succession Planning

The Committee received a progress report on succession planning for senior management roles within the University and will continue to monitor the progress of this initiative.

Terms of Reference and Accountability

The Committee reviewed its terms of reference, membership and operating arrangements in the light of the Committee of University Chairs Illustrative Practice Note on Remuneration Committees, which was published in March 2015.

To improve accountability, governance and transparency, Council had the opportunity to review the work of the Remuneration Committee at its meeting in October 2014 (with only lay members of Council in attendance). This will be repeated each year.

MANAGEMENT

Vice-Chancellor and Chief Executive

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the

University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos.

The Provost, Deputy Vice-Chancellors and the senior administrative officers all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

Provost

The Provost reports to the Vice-Chancellor, and is responsible for the oversight of the University's educational affairs and activities and those of the Professional Services, and provides leadership to deliver the University strategy. This role is responsible for the planning and resource allocation in the University.

Vice-Chancellor's Executive Group (VCEG)

The Vice-Chancellor's Executive Group comprises the senior management team of the University. Led by the Vice-Chancellor and Chief Executive, it comprises the Provost, Chief Operating Officer, three Deputy Vice-Chancellors, Chief Financial Officer, the Director of Communication and Corporate Affairs and the Director of Human Resources. From 1 August 2015 its membership was extended to include the six Pro Vice-Chancellors who lead the Colleges.

COLLEGES AND PROFESSIONAL SERVICES

All academic activity is organised through six Colleges each headed by a Pro Vice-Chancellor having delegated authority for the leadership, strategic direction and management of College resources.

Professional Services, led by the Chief Operating Officer, covers all administrative, academic and student support services and facilities management within the University. The Chief Operating Officer and the Chief Financial Officer report directly to the Provost.

INTERNAL CONTROL AND RISK

As the governing body of the University of Exeter, Council has 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 it is responsible, in accordance with the responsibilities assigned to Council in the Charter and Statutes and the Financial Memorandum with HEFCE.

The system of internal control is designed to understand and manage rather than eliminate the risk of non-achievement

of policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It 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 ensure they are managed. This process has been in place for the year ended 31 July 2015 and up to the date of approval of the financial statements.

Council has responsibility for reviewing the effectiveness of the system of internal control. It meets at regular intervals to consider the plans and strategic direction of the institution and receives periodic reports from the Chair of Audit Committee concerning internal control and the minutes of Audit Committee.

The Audit Committee receives regular reports from internal audit, which include an independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.

The Vice-Chancellor's Executive Group has responsibility for risk management, receiving updated risk registers from Colleges and Services, updating the corporate risk register and reporting on risk to Council throughout the year. A system of key performance and risk indicators has been developed and these are continually updated. This, together with reports received from budget holders, department heads and project managers on internal control activities, ensures compliance is maintained.

The review of the effectiveness of the system of internal control is informed by the internal audit team which operates to standards defined in the HEFCE Audit Code of Practice.

The review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development, maintenance and continual review of the internal control framework.

INTERNAL FINANCIAL CONTROL

The key elements of the University's system of internal financial control include the following:

- clear definitions of the responsibilities of, and the authority delegated to the Vice-Chancellor, Pro Vice-Chancellors of Colleges and the Chief Operating Officer;
- experienced and suitably qualified staff who take responsibility for the finance and control functions within the University and its subsidiary companies;
- a comprehensive medium and short term planning process supplemented by detailed annual income, expenditure and capital budgets and cash flow forecasts;
- monthly reviews of financial results involving variance reporting and updates of forecast outturns;

- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to detailed appraisal;
- Financial Regulations supplemented by comprehensive policies detailing financial controls and procedures;
- an Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Council and whose head provides Council with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control, corporate governance and management of risk; and
- a treasury and investment management policy.

Council's review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee, the individual members of staff within the University who have responsibility for the development and maintenance of the financial control framework and comments made by the External Auditors in the management letter and in other reports.

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

DISABLED EMPLOYEES

The University gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the University's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

REGISTER OF INTERESTS

The University maintains a Register of Interests of members of the Council and senior officers, which may be consulted by arrangement with the Chief Operating Officer.

FURTHER INFORMATION

Enquiries about the constitution and governance of the University should be addressed to the Chief Operating Officer.

In accordance with its Royal Charter and Statutes, Council of the University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

Working through its Audit Committee, Council is responsible for the proper maintenance of accounting records which disclose with reasonable accuracy at any time the financial position of the University and related parties and which enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation and Statutes, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions and other relevant accounting and financial reporting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England and the Council of the University, through its designated office holder (the Vice-Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

With respect to these financial statements, Council has ensured through its senior officers and Audit Committee that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting and financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. Council is satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

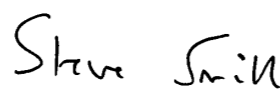
Council has taken reasonable steps through its senior officers and Audit Committee to:

- ensure that funds from the Higher Education Funding Council for England (HEFCE) and the National College for Teaching and Leadership (NCTL) are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Higher Education Funding Council and the funding agreement with the National College for Teaching and Leadership and any other conditions which the Funding Council and the NCTL 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 of the Group and to prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the University's resources and expenditure; and
- ensure that the key principles of effective risk management have been applied in line with the requirements of HEFCE's Accounts Direction.

The Corporate Governance Statement and Responsibilities of the Council of the University on pages 12 to 16 were approved by Council on 26 November 2015 and signed on its behalf by:



S. Turvill
Chair of Council

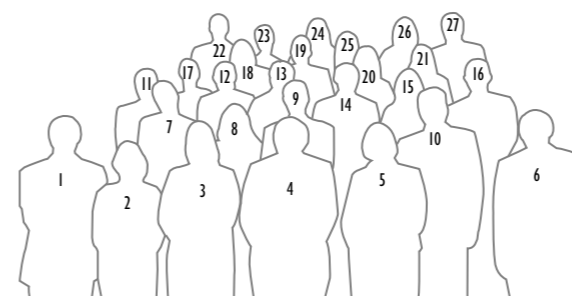


Professor Sir S. Smith
Vice-Chancellor and Chief Executive



MEMBERS OF COUNCIL *

From left to right



Front row:

- 1 Dr Andrew Shaw*
- 2 Jacqui Marshall
- 3 Professor Janice Kay*
- 4 Professor Sir Steve Smith*
- 5 Sarah Turvill*
- 6 Sir Robin Nicholson*

Fourth Row:

- 17 Professor Michelle Ryan*
- 18 Bettina Rigg*
- 19 Professor Mark Goodwin
- 20 Laura-Jane Tiley*
- 21 Grace Fisher

Second row:

- 7 Sir Michael Barber*
- 8 Judy Hargadon OBE*
- 9 Richard Hughes*
- 10 Peter Lacey*

Top row:

- 22 Professor Nick Talbot*
- 23 Dr Sarah Buck OBE*
- 24 Sally Turner*
- 25 Amanda Conroy*
- 26 Jane Chafer
- 27 Richard Atkins

Third Row:

- 11 Andrew Connolly
- 12 Professor Stephen Tomlinson CBE*
- 13 Sally Wilcox*
- 14 Gerry Brown*
- 15 Tracy Costello
- 16 Professor Tim Quine

Officers:

- Miss S Turvill (Chair)
- Mr R M P Hughes
- Professor J M Kay
- Mr P Lacey
- Professor Sir S M Smith
- Professor N Talbot

Members appointed by the Council:

- Mr C J Allwood (appointment ended 31 July 2015)
- Sir Michael Barber (appointed 1 August 2015)
- Mr G Brown
- Dr S Buck OBE
- Mr N Bull
- Ms A Conroy
- Ms J Hargadon OBE
- Sir Robin Nicholson
- Mr C Pomfret (appointment ended 31 July 2015)

- Ms B Rigg
- Professor S Tomlinson CBE
- Mrs S Wilcox

Members appointed by the Senate:

- Professor K E Evans (appointment ended 31 July 2015)
- Professor D Myhill MBE (appointment ended 31 December 2014)
- Professor M Ryan (appointed 1 August 2015)
- Dr A M Shaw
- Professor T Quine (appointed 1 January 2015)

Member of Staff other than Academic Staff:

- Mr P Hodges (appointment ended 31 July 2015)
- Ms S Turner (appointed 1 August 2015)

Student Member:

- Ms R Gillies (appointment ended 31 July 2015)
- Ms L J Tiley (appointed 1 August 2015)

We have audited the Group and University financial statements (the "financial statements") of the University of Exeter for the year ended 31 July 2015 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, Note of Historical Cost Results, Statement of Consolidated Total Recognised Gains and Losses, Consolidated Balance Sheet, Balance Sheet, Consolidated Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council of the University of Exeter ("Council"), in accordance with the Charters and Statutes of the institution. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditor

As explained more fully in the Responsibilities of the Council of the University Statement set out on page 16, the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2015 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices and with the 2007 Statement of Recommended Practice- Accounting for Further and Higher Education: and
- meet the requirements of HEFCE's Accounts direction to higher education institutes for 2014-15 financial statements.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's Accounts direction to higher education institutions for 2014-15 financial statements have been met.

Emma Holiday

for and on behalf of

KPMG LLP, Statutory Auditor

Chartered Accountants
Plym House
Plymouth
PL6 8LT

1 December 2015

GENERAL

In accordance with FRS 18 'Accounting Policies' these accounting policies have been reviewed by the University's Council and are considered appropriate to the University's activities.

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments, and in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and applicable accounting standards. They conform to guidance published by the Higher Education Funding Council for England.

Council has a reasonable expectation that the University and its subsidiary undertakings have adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

BASIS OF CONSOLIDATION

The results of the University's subsidiary undertakings and undertakings in which it has a controlling interest, have been consolidated in the financial statements and details of these are provided in note 14. The University's share of the results in its joint ventures has been consolidated in the financial statements and details of these and the basis of consolidation are provided in note 15. Intra-group transactions are eliminated upon consolidation.

The activities of the University of Exeter Students' Guild have not been consolidated on the grounds that the University does not operate dominant or significant influence over its activities.

RECOGNITION OF INCOME

The recurrent grants from the funding bodies represent the funding allocations, which are attributable to the current financial year and are credited directly to the income and expenditure account.

Tuition fees represent all fees chargeable to students or their sponsors, received and receivable, which are attributable to the current accounting period net of discounts. The cost of any fees waived by the University is deducted from tuition fee income. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contribution towards overhead costs.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from expendable endowments and donations is included in full in the Income and Expenditure Account. Income from endowment assets held for restricted purposes imposed by the donor or funder is recognised in line with the conditions attached to the University's right to the investment income.

Income from permanent endowments is recognised on a total return basis. Income is recognised to the extent of the relevant expenditure incurred during the year. Any realised gains or losses from dealing in the related endowment assets are retained within the endowment in the balance sheet as part of the unapplied total return.

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

The University acts as an agent in the collection and payment of hardship funds and training bursaries from the funding bodies. Related receipts from HEFCE and the National College for Teaching and Leadership (NCTL) and subsequent disbursement to students are excluded from the income and expenditure account.

Income within the University's subsidiary companies represents the fair value of consideration receivable, excluding Value Added Tax, in the ordinary course of that Company's business for goods and services provided. In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts for on-going services is recognised by reference to the stage of completion.

FOREIGN CURRENCIES

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. Resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

PENSION SCHEMES AND OTHER POST-RETIREMENT BENEFITS

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and employees.

The two principal pension schemes for University staff are the Universities Superannuation Scheme (USS) and the University of Exeter Retirement Benefits Scheme (ERBS). The schemes

are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

Both funds are valued every three years by professionally qualified independent actuaries. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes.

The assets of the USS scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with the other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Following FRS 17, the ERBS current service cost of providing retirement benefits to employees during the year is charged to the operating surplus or deficit in the year. The full cost of providing amendments to benefits in respect of past service is also charged to the operating surplus or deficit in the year. The expected return on the assets during the year based on the market value of scheme assets at the start of the financial year is included within other finance income. This also includes a charge representing the expected increase in the liabilities of the scheme during the year, arising from the liabilities of the scheme being one year closer to payment. Differences between actual and expected returns on assets during the year are recognised in the statement of recognised gains and losses in the year, together with differences from changes in assumptions. The net deficit on the ERBS is reported on the balance sheet within the pension liability.

Further information on both the USS and ERBS pension schemes and post-retirement benefits is disclosed in note 32.

The University also makes contributions to the National Health Service Pension Scheme (NHSPS) in respect of a small number of staff. The NHS Pension Scheme is valued every five years by the Government Actuary who specifies the contribution rate paid by the University. The Department of Health operates a notional fund for this scheme. The University has no liability for pensions or pension increases for past employees in this scheme. The scheme is not designed to be run in a way that would enable organisations to identify their share of the underlying scheme assets and liabilities.

Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the University of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research and development is written off to the income and expenditure account in the year in which it is incurred with the exception of any equipment or software that is capitalised in line with the University's accounting policies.

TAXATION

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on the majority of its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The University's subsidiary companies are subject to Corporation Tax and VAT in the same way as any other commercial organisation.

TANGIBLE FIXED ASSETS

Capitalisation

Tangible assets are capitalised where they are capable of being used for a period that exceeds one year and which:

- individually have a cost greater than £25,000; or
- collectively have a cost equal to or greater than £25,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control; or
- irrespective of their individual cost, form part of the initial equipping of a new building.

Major replacement and refurbishment work is capitalised if the work creates or enhances an existing asset, or improves or substantially overhauls an asset. Finance costs directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

The University has a five year rolling long term maintenance plan, which forms the basis of the on-going maintenance of the estate. Expenditure on long term maintenance which

does not either enhance an asset beyond its original condition or increase its expected economic life, and expenditure on all routine corrective maintenance, is charged to the income and expenditure account as incurred.

Valuation

Land and buildings are stated at valuation or, in the case of buildings in the course of construction or constructed since the last valuation, at cost. The basis of valuation is existing use value for non-specialised buildings, depreciated replacement cost for specialised buildings or, if appropriate and in certain circumstances, open market value. Assets held for sale are held at open market value.

The University has adopted a policy to fully revalue land and buildings every five years with an interim valuation in the third year.

All buildings are regularly reviewed for indications of impairment. Where there is impairment caused by a clear consumption of economic benefit the difference between the assessed recoverable value of the building and its written down value is charged to the income and expenditure account. Other impairment losses on revalued fixed assets are recognised in the statement of total recognised gains and losses and set against any revaluation surplus until the carrying amount of the fixed asset reaches depreciated historical cost and thereafter in the income and expenditure account.

Depreciation

A full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal. Grant funded assets are depreciated over the life of the grant.

All depreciation is calculated on a straight line basis as follows:

Freehold land	Not depreciated
Freehold buildings	Over their expected remaining useful lives, subject to a maximum of 50 years
Leasehold buildings	Over the shorter of the lease term and the expected useful lives, subject to a maximum of 50 years
Assets under construction	Not depreciated
Assets held for sale	Not depreciated
Infrastructure	Over their expected remaining useful lives, subject to a maximum of 50 years
Computer equipment and IT infrastructure	Over its expected useful life between 4 to 8 years
Equipment acquired for specific research projects	Over the remaining life of the project (generally 3 years)
Other equipment	Over 8 years

Grant funded assets

Where assets are acquired or improved with the aid of specific grants, they are capitalised and depreciated in accordance with the policy above. The related grant is initially credited to a deferred capital grant account and later released to the income and expenditure account in line with the depreciation charge.

Investment properties

Interests in land and/or buildings that are held for their investment potential are included in the balance sheet at their market value without charging depreciation. An investment property is an interest in land and/or buildings:

- (a) in respect of which construction work and development have been completed; and
- (b) which is held for its investment potential, any rental income being negotiated at arm's length.

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 is 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.

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Heritage assets

Heritage assets are capitalised and recognised at the cost or value of the acquisition where such a cost or valuation is reasonably obtainable. Where reliable estimates of cost or value are not available on a cost-benefit basis, these assets are omitted from the financial statements. Any costs of maintaining and displaying the collection are reported in the Income and Expenditure Account in the year that they are incurred.

CHARITABLE DONATIONS

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be invested for the benefit of the University as specified by the donors, these are accounted for as endowments.

For the year ended 31 July 2015

There are three main types:

- Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.
- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

JOINT VENTURES

The University uses the gross equity method of consolidating joint venture entities in accordance with FRS9. The University's share of income and expenditure in joint venture entities is recognised in the consolidated income and expenditure account, and its share of assets and liabilities in joint venture entities are recognised in the consolidated balance sheet. Note 15 to the accounts provides additional information.

INVESTMENTS

Fixed asset investments are included in the balance sheet at market value. Increases/decreases in value arising on the revaluation of fixed asset investments are carried to the revaluation reserve. Where permanent diminution in value of an asset occurs, the excess will be charged to the income and expenditure account to the extent it is not covered by a revaluation surplus.

In the financial statements of the University the investments in subsidiary undertakings are included in the balance sheet at cost.

The University operates total return accounting under which the return from permanent endowments is transferred to the Income and Expenditure account under a spending rule based on the estimated long term real rate of return, and is equal to the amount spent in the year from these endowments. Income earned by the endowed assets and revaluation gains/losses are

credited directly to the endowment. Surpluses or deficits arising on the revaluation or realisation of endowment asset investments are added to or subtracted from the funds concerned.

FINANCIAL INSTRUMENTS

The University uses derivative financial instruments such as interest rate swaps to reduce exposure to interest rate movements on its loans. These derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

STOCK

Stock is shown at the lower of cost and net realisable value for building maintenance, bars, residences, catering stores and retail outlets. Where necessary, provision is made for obsolete, slow-moving and defective stocks. Stocks of consumables held for administration purposes and in Colleges are not valued.

CASH FLOWS AND LIQUID RESOURCES

Cash flows comprise inflows and outflows of cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and certificates of deposit held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow. Contingent assets are disclosed by way of a note, where there is a probable, rather than virtually certain, asset arising from a past event.

	Note	Year Ended 31 July 2015		Year Ended 31 July 2014	
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	1		39,905		47,497
Tuition fees and education contracts	2		181,580		150,623
Research grants and contracts	3		69,757		60,071
Other income (incl. share of joint ventures)	4		65,946		62,279
Endowment and investment income	5		2,150		3,350
Total income including joint ventures			359,338		323,820
Less: Share of income from joint ventures	15		(19,843)		(19,360)
Total income			339,495		304,460
EXPENDITURE					
Staff costs	6		177,018		168,465
Other operating expenses	7		110,071		108,750
Depreciation	8	22,597		20,724	
Impairment of buildings	8	-		1,220	
			22,597		21,944
Interest payable	9		8,648		7,750
Total expenditure			318,334		306,909
Operating surplus/(deficit)			21,161		(2,449)
Share of operating surplus in joint ventures	15		1,244		499
Exceptional items	10		(7,452)		-
Surplus/(deficit) on continuing operations before taxation			14,953		(1,950)
Taxation	11		(1,743)		-
Surplus/(deficit) on continuing operations after taxation			13,210		(1,950)
Surplus/(deficit) for the year transferred from accumulated income in endowment funds	16		625		387
Surplus/(deficit) for the year	12		13,835		(1,563)
The income and expenditure account in both years is in respect of continuing activities					
NOTE OF HISTORICAL COST RESULTS					
Surplus/(deficit) on continuing operations			13,210		(1,950)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	24		6,013		3,382
Release of fixed asset investment revaluation surpluses on disposal	24		-		17
Release of previous year's property revaluation surpluses on current year disposals	24		253		464
Historical cost surplus for the year			19,476		1,913

UNIVERSITY OF EXETER
STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2015

	Note	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Surplus/(deficit) on continuing operations		13,210	(1,950)
Revaluation gain on tangible assets	24	-	45,104
Revaluation gain on fixed asset investments	24	6	2,588
Appreciation/(depreciation) of expendable endowment asset investments	23	264	(272)
New endowments	22/23	1,460	2,238
Disposal of endowments	22/23	-	(1,115)
Other movements in endowments	22	1,833	652
Actuarial loss on pension scheme	32	(9,827)	(8,132)
Actuarial loss on pension scheme in joint venture	15	(895)	(797)
Total recognised gains in the year		6,051	38,316
Reconciliation			
		Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Opening reserves and endowments		395,941	357,625
Total recognised gains for the year		6,051	38,316
Closing reserves and endowments		401,992	395,941

UNIVERSITY OF EXETER
BALANCE SHEETS

As at 31 July 2015

	Note	Group		University	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Fixed assets					
Tangible assets	13	684,427	663,080	684,427	663,070
Investments	14	7,331	7,330	7,533	7,532
Investments in joint ventures	15	3,177	3,048	-	-
		694,935	673,458	691,960	670,602
Endowment asset investments	16	33,197	30,265	33,198	30,265
Current assets					
Stock		415	436	411	434
Debtors – amounts falling due within one year	17	32,685	31,155	33,645	31,335
Debtors – amounts falling due after more than one year	18	16,325	16,459	16,325	16,459
Investments		51,604	30,276	51,605	30,276
Cash at bank and in hand		48,747	76,692	48,344	76,148
		149,776	155,018	150,330	154,652
Creditors: amounts falling due within one year	19	(75,408)	(72,819)	(76,126)	(72,514)
Net current assets		74,368	82,199	74,204	82,138
Total assets less current liabilities		802,500	785,922	799,362	783,005
Creditors: amounts falling due after more than one year	20	(215,582)	(219,140)	(215,582)	(219,140)
Total net assets excluding pension liability		586,918	566,782	583,780	563,865
Net pension liability	32	(34,754)	(26,551)	(34,754)	(26,551)
NET ASSETS		552,164	540,231	549,026	537,314
Deferred capital grants	21	150,172	144,290	150,172	144,290
Endowments					
Expendable	23	10,138	9,039	10,139	9,039
Permanent	22	23,059	21,226	23,059	21,226
		33,197	30,265	33,198	30,265
Reserves					
Income and expenditure reserve (excl. Pension reserve)		106,873	89,291	108,233	90,959
Pension reserve		(34,754)	(26,551)	(34,754)	(26,551)
Income and expenditure reserve (incl. Pension reserve)	25	72,119	62,740	73,479	64,409
Revaluation reserve	24	296,676	302,936	292,177	298,350
Total reserves		368,795	365,676	365,656	362,759
TOTAL FUNDS		552,164	540,231	549,026	537,314

The financial statements on pages 23 to 63 were approved by Council on 26 November 2015 and signed on its behalf by:

Professor Sir S Smith
Vice-Chancellor and Chief Executive

S Turvill
Chair of the Council

A Connolly
Chief Financial Officer

For the year ended 31 July 2015

	Note	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Cash inflow from operating activities	26	36,028	24,209
Returns on investments and servicing of finance	27	(7,891)	(6,604)
Capital expenditure and financial investment	28	(30,733)	(36,454)
Management of liquid resources	29	(19,669)	(27,558)
Financing	30	(4,021)	67,217
(Decrease)/Increase in cash in the year	31	(26,286)	20,810

Reconciliation of net cash flow to movement in net debt

	Note	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
(Decrease)/increase in cash in the year	31	(26,286)	20,810
Cash inflow from new secured loans	30	(73)	(70,338)
Cash outflow from repayment of loans	30	4,094	4,116
Cash outflow from current asset investments	29	21,328	28,776
Movement in net debt in the year		(937)	(16,636)
Net debt at 1 August		(95,608)	(78,972)
Net debt at 31 July	31	(96,545)	(95,608)

NOTE 1 FUNDING BODY GRANTS

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
HEFCE – Recurrent teaching grant	13,569	21,170
HEFCE – Recurrent research grant	19,058	19,200
HEFCE – Specific grants	4,131	3,890
National College for Teaching and Leadership (NCTL) – Specific grants	353	417
Deferred capital grants released in year (note 21)	2,794	2,820
	39,905	47,497

NOTE 2 TUITION FEES AND EDUCATION CONTRACTS

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Home/EU undergraduates: full-time	109,413	83,499
Home/EU undergraduates: part-time	38	18
Home/EU postgraduates: full-time	11,413	11,001
Home/EU postgraduates: part-time	2,766	2,987
International students	52,163	48,193
Non-credit bearing courses and other tuition fees	1,608	1,238
Research Training Support grants	4,179	3,687
	181,580	150,623

NOTE 3 RESEARCH GRANTS AND CONTRACTS

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Research councils	25,123	24,402
UK based charities	5,538	4,990
UK central government, local authorities, health and hospital authorities	19,864	12,490
UK industry, commerce and public corporations	2,790	2,617
European Union governments	12,998	12,898
European Union industry and other bodies	213	731
Other grants and contracts	3,231	1,943
	69,757	60,071

Included above are deferred capital grants released in the year of £2.4m (2014: £2.3m) (see note 21). Included within UK central government is a tax credit of £7.6m (2014: nil) for research and development which was claimed back from HMRC covering the period 1 April 2013 to 31 July 2015.

NOTE 4 OTHER INCOME

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Residences, catering and conferences	23,179	22,965
Other services rendered		
Validation fees	132	63
UK central government, local authorities and health	254	98
Others	2,270	2,155
Income from health authorities	3,445	3,084
Other operating income		
Other external grants	1,009	1,666
Summer schools, fair and degree day income	259	267
Donations and other fundraising	1,014	170
Erasmus	887	1,190
Sports and swimming pools	2,159	1,985
Externally recharged staff time	1,245	1,020
Supplies and services to external customers	1,182	872
Rental income and room hire	550	585
Income from JV – Falmouth Exeter Plus Group (note 15)	12,028	11,315
Income from JV – INTO University of Exeter LLP (note 15)	7,815	8,045
Release of deferred capital grants (note 21)	1,261	1,467
Other income	7,257	5,332
	65,946	62,279

NOTE 5 ENDOWMENT AND INVESTMENT INCOME

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Income from expendable endowments (note 23)	465	880
Income applied to permanent endowments (note 22)	14	674
Income from short term investments	933	922
Income from fixed asset investments	-	17
Surplus on disposal of fixed asset investments	-	170
Net credit on pension scheme funds (note 32)	737	678
Other interest receivable	1	9
	2,150	3,350

The interest receivable from group undertakings that are not subsidiaries in the current year amounted to £Nil (2014: £Nil).

NOTE 6 STAFF COSTS

The average number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:

	Year Ended 31 July 2015 Number	Year Ended 31 July 2014 Number
Academic staff	867	840
Research staff	576	549
Teaching fellows	226	210
Occasional lecturers	109	90
Support staff	2,148	2,155
Casuals	99	151
Total	4,025	3,995

Staff costs for the above persons:

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Salaries and wages	145,358	138,308
Social security costs	10,692	10,253
Pension costs (note 32)	20,968	19,904
	177,018	168,465

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Emoluments of the Vice-Chancellor and Chief Executive:		
Non-performance related remuneration	290	290
Benefits in kind	-	-
Performance related remuneration	51	58
Pension contributions to USS	52	52
	393	400

Emoluments for senior staff are determined by the Remuneration Committee as set out in the Corporate Governance and Internal Control Statement on page 12.

Lay members do not receive payment, apart from the reimbursement of expenses, for fulfilling their role as members of the governing body. Reimbursement of expenses amounted to £10,942 (2014: £10,596).

Remuneration of higher paid staff, excluding employer's pension contributions (except where this is part of a salary sacrifice scheme) but inclusive of payments made on behalf of the NHS and partner institutions in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are excluded in the University's income and expenditure account is reported in the following table:

NOTE 6 STAFF COSTS (cont.)

	Year Ended 31 July 2015	Year Ended 31 July 2014
£100,000 - £109,999	26	33
£110,000 - £119,999	19	22
£120,000 - £129,999	8	10
£130,000 - £139,999	5	9
£140,000 - £149,999	2	8
£150,000 - £159,999	6	8
£160,000 - £169,999	2	3
£170,000 - £179,999	3	5
£180,000 - £189,999	1	-
£190,000 - £199,999	4	2
£210,000 - £219,999	1	-
£290,000 - £299,999	-	1
£320,000 - £329,999	1	-
£340,000 - £349,999	1	1

A member of staff included within the £130,000 - £139,999 band above received compensation for loss of office of £67,500 on an ex gratia basis. This was paid in full in 2014/15. An obligation to pay a member of staff included within the £150,000 - £159,999 band above was also included within the financial statements for £50,000. This compensation for loss of office was not paid until after year-end.

**NOTE 7 OTHER OPERATING EXPENSES**

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Residences, catering and conferences	9,849	9,884
Rents and rates	736	636
Heat, light, water and power	4,873	4,238
Repairs and general maintenance	8,784	7,590
Laboratory equipment and consumables	7,869	7,156
IT hardware, software and licences	1,999	2,129
Other equipment	7,967	7,052
Books and periodicals	5,015	3,905
Non-contract staff and external examiners	5,141	6,108
Administrative costs including postage and telephones	3,048	3,085
Insurances	639	532
Publicity, publications and student recruitment	3,389	3,159
Travel, accommodation, subsistence and hospitality	12,188	12,239
Fellowships, scholarships and prizes	22,156	22,131
Field courses and other student support	5,262	5,654
Legal, professional and consultancy fees	3,843	3,413
Auditor's remuneration	62	62
Auditor's remuneration in respect of non-audit services	34	32
Penryn Campus premises, academic support and administrative costs	4,421	4,085
Other expenses	2,796	5,660
	110,071	108,750

Included within legal, professional and consultancy fees is the internal audit fee for the University of £108,000 (2014: £71,000). Included within Auditor's remuneration is the external audit fee for the University of £56,000 (2014: £53,000).

NOTE 8 ANALYSIS OF EXPENDITURE BY ACTIVITY**2014/15**

	Staff Costs £'000	Other Operating Expenses £'000	Depreciation/ Impairment £'000	Interest Payable £'000	Total £'000
Academic colleges	98,505	18,918	1,494	-	118,917
Academic services	13,932	13,268	4,025	-	31,225
Administration and central services	23,169	35,551	173	-	58,893
Premises	7,791	14,012	11,217	5,764	38,784
Residences, catering and conferences	8,240	11,700	3,255	2,884	26,079
Research grants and contracts	26,268	16,622	2,433	-	45,323
Other expenses – FRS17 adjustment	(887)	-	-	-	(887)
	177,018	110,071	22,597	8,648	318,334

	£'000
The depreciation charge has been funded by:	
Deferred capital grants released – buildings (note 21)	3,701
Deferred capital grants released – equipment (note 21)	2,787
Revaluation reserve released (note 24)	6,013
General income	10,096
	22,597

2013/14

	Staff Costs £'000	Other Operating Expenses £'000	Depreciation/ Impairment £'000	Interest Payable £'000	Total £'000
Academic colleges	94,220	20,611	1,880	-	116,711
Academic services	15,550	11,916	4,167	-	31,633
Administration and central services	22,196	35,798	185	-	58,179
Premises	7,509	12,762	11,223	4,866	36,360
Residences, catering and conferences	6,058	9,874	2,232	2,884	21,048
Research grants and contracts	24,024	17,789	2,257	-	44,070
Other expenses – FRS17 adjustment	(1,092)	-	-	-	(1,092)
	168,465	108,750	21,944	7,750	306,909

	£'000
The depreciation charge has been funded by:	
Deferred capital grants released – buildings	3,584
Deferred capital grants released – equipment	2,959
Revaluation reserve released	3,382
General income	10,799
	20,724
The impairment charge has been funded by:	
General income	1,220
	1,220

NOTE 9 INTEREST PAYABLE

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
On bank loans and overdrafts:		
Repayable wholly or partly in more than five years	8,648	7,750

NOTE 10 EXCEPTIONAL ITEMS

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Fundamental Restructuring Costs	7,452	-

During the year the University completed a voluntary severance programme. By 31 July, 240 staff left the University's employment and a further 43 staff have entered into agreements to leave employment between 1 August 2015 and 31 December 2015.

NOTE 11 TAXATION

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Taxation deducted from Research & Development Expenditure Credit	1,743	-

Surplus before taxation is £14,953,000 (2014: deficit of £1,930,000). £7,374,000 (2014: deficit of £1,950,000) is exempt from taxation by virtue of its charitable nature. The remaining balance of £7,579,000 (2014: nil) in relation to the Research and Development Expenditure Credit has suffered tax at 23% resulting in the £1,743,000 (2014: nil) taxation charge.

NOTE 12 SURPLUS/(DEFICIT) ON CONTINUING OPERATIONS FOR THE YEAR

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

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
University's surplus/(deficit) for the year on continuing operations	12,094	(665)
Surplus/(deficit) generated by subsidiary undertakings and joint ventures	1,116	(1,285)
Consolidated surplus/(deficit) on continuing operations	13,210	(1,950)
Surplus for the year transferred from accumulated income in endowment funds (note 16)	625	387
Consolidated surplus/(deficit) for the year	13,835	(1,563)

NOTE 13 TANGIBLE FIXED ASSETS

Group	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000		
Cost or Valuation				
At 1 August 2014	553,192	88,740	66,975	708,907
Additions	36,738	223	7,250	44,211
Disposals	(372)	-	(38)	(410)
At 31 July 2015	589,558	88,963	74,187	752,708
Depreciation				
At 1 August 2014	8,190	140	37,497	45,827
Charge for the year (note 8)	13,035	1,818	7,744	22,597
Disposals	(111)	-	(32)	(143)
At 31 July 2015	21,114	1,958	45,209	68,281
Net Book Value				
At 31 July 2015	568,444	87,005	28,978	684,427
At 31 July 2014	545,002	88,600	29,478	663,080
Financed by capital grant	84,196	55,537	10,439	150,172
Other	484,248	31,468	18,539	534,255
At 31 July 2015	568,444	87,005	28,978	684,427

- a) At 31 July 2015 freehold and leasehold land and buildings included £36.0m (2014: £11.4m) in respect of buildings under construction.
- b) Included in the cost or valuation of freehold land and buildings is £1.1m (2014: £1.1m) bank loan interest payable that has been capitalised. This has been calculated at the loan interest rate of 5.88%. These finance costs are directly attributable to the construction of student residences and were capitalised as part of the cost of those assets whilst they were in the course of construction. There has been no capitalisation of interest payable in the current or prior year.
- c) Long leasehold land and buildings comprise the University owned buildings on the Penryn Campus, which were acquired under a 125 year lease (114 years remaining).
- d) Fixed assets include the Research, Innovation, Learning and Development building on the Royal Devon and Exeter Hospital (Wonford) site in Exeter, which was completed in 2013/14. This is held under a Finance Lease agreement which has been fully paid in advance. A finance lease liability and the equivalent prepayment have been included on the balance sheet on the following basis:

	Year Ended 31 July 2015	Year Ended 31 July 2014
	£'000	£'000
Debtors: Amounts falling due within one year (note 17)	133	133
Debtors: Amounts falling due after more than one year (note 18)	16,325	16,459
Creditors: Amounts falling due within one year (note 19)	(133)	(133)
Creditors: Amounts falling due after more than one year (note 20)	(16,325)	(16,459)

Of the balances falling due after more than one year, £133,000 is due within one to two years, £399,000 is due within two to five years, and £1,127,000 is due after more than five years.

NOTE 13 TANGIBLE FIXED ASSETS (cont.)

University	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000		
Cost or Valuation				
At 1 August 2014	553,192	88,740	66,713	708,645
Additions	36,738	223	7,251	44,212
Disposals	(372)	-	(38)	(410)
At 31 July 2015	589,558	88,963	73,926	752,447
Depreciation				
At 1 August 2014	8,190	140	37,245	45,575
Charge for the year	13,035	1,818	7,734	22,587
Disposals	(111)	-	(31)	(142)
At 31 July 2015	21,114	1,958	44,948	68,020
Net Book Value				
At 31 July 2015	568,444	87,005	28,978	684,427
At 31 July 2014	545,002	88,600	29,468	663,070

The University adopts the policy of revaluing land and buildings every five years. The external Chartered Surveyors, Jones Lang LaSalle, performed an interim valuation as at 31 July 2014 on the basis of Existing Use Value or Depreciated Replacement Cost according to the nature and use of each building. This valuation was prepared in accordance with the Valuation Standards published by the Royal Institution of Chartered Surveyors.

The valuations at 31 July 2014 were as follows:

	Group & University £'000
Freehold land and buildings	531,360
Long leasehold land and buildings	89,216

The valuations include a notional amount for professional fees and other incidental expenses.

If this revaluation had not taken place the historical cost net book values are as follows:

	Group & University £'000
Freehold land and buildings	268,069
Long leasehold land and buildings	76,174

NOTE 13 TANGIBLE FIXED ASSETS (cont.)**Heritage Assets**

At the Bill Douglas Cinema Museum, the group holds one of the largest public collections of books, prints, artefacts and ephemera relating to the history and pre-history of cinema. The initial collection was donated to the Exeter University Foundation in 1991 but since then other collections have also been donated. No value is reported in the Group's balance sheet as no reliable cost or valuation can be attributed to this unique and irreplaceable collection. These assets are managed by the curator and his staff to ensure their cataloguing, safe keeping and preservation and are insured against accidental damage or loss at the University's expense. The museum was opened to the public in 1997 and is open, free of charge, each weekday.

**NOTE 14 INVESTMENTS**

	Group		University	
	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Fine art collection	4,397	4,397	4,397	4,397
Library special collection	2,774	2,774	2,774	2,774
Listed investments	109	110	109	110
Subsidiary undertakings	-	-	210	210
Other investments	51	49	43	41
	7,331	7,330	7,533	7,532

The University's fine art collection of paintings, drawings, sculptures, furniture, silverware and ceramics was professionally valued during the year ended 31 July 2014 by external Fine Art Auctioneers and Valuers, Messrs. Bearn's Hampton and Littlewood, on an open market value basis. The amount of the valuation, including a piano valued at £75,000, is included in the table above.

Library special collections were professionally valued during the year ended 31 July 2014 by external Fine Art Auctioneers and Valuers, Messrs. Bearn's Hampton and Littlewood, on an open market value basis. The amount of the valuation is detailed above.

The investment in subsidiary undertakings, as consolidated in these financial statements comprises the following:

Directly owned Indirectly owned	Group Holding	Shareholding	Principal business activity
UOE Consulting Limited	100%	60,110 Ordinary £1	Consultancy activities
UEC Enterprises Limited	100%	1,000 Ordinary £1	Dormant company (struck off post year end)
Peninsula Innovations Limited	100%	2 Ordinary £1	Property management
ESI Enterprises Limited	100%	1 Ordinary £1	Dormant company
Exeter ISC Limited	100%	100 Ordinary £1 and 149,900 Redeemable preference £1	Holding company of INTO University of Exeter LLP
ERBS Trustee Limited	100%	1 Ordinary £1	Dormant company

All of the above companies are registered in England and Wales.

NOTE 14 INVESTMENTS (cont.)

Other investments of the University comprise the following:

Name	Holding
Attomarker Limited	7 Ordinary £1 shares
Auxetix Limited	107,143 Ordinary £0.01 shares
CVCP Properties Plc	37,355 Ordinary £1 shares
Exeter Nanobacteria Limited	200 Ordinary £0.10 shares
Exeter Science Park Limited	67,474 Ordinary £10 shares
Industrial Tomography Systems Plc	249,564 Ordinary £0.01 shares
Simpleware Limited	100 Ordinary £1 shares
Skipworth Engelhardt Asset Management Strategists Limited	161 Ordinary "A" £1 and 405 Deferred £1 shares
Tireme Systems Ltd	284 Series B £1 Preferred shares

Shares in Exeter Science Park Ltd are held at nil value on the balance sheet, reflecting the uncertainty and remoteness of a return on investment. The development of the Science Park is currently being funded in part from a Local Enterprise Partnership (LEP) loan facility. The LEP loan facility is due to expire on 31 October 2023. Exeter University has provided a loan guarantee facility for up to 50% of the LEP debt outstanding on the loan expiration date. This is forecast to equate to a £2.4m loan facility commencing on 31 October 2023. Interest is due to be charged at a commercial rate and it is expected that the Science Park Company will repay the loan facility in full within a nine year period.

UoE Consulting Limited also holds the following investments:

Name	Holding
Full Scale Dynamics Limited	8,000 Ordinary £1 shares

The Exeter University Foundation

The activities of The Exeter University Foundation (Foundation), a registered charity, are consolidated on the grounds that the University has a controlling influence over its activities.

The Foundation owns the collections of The Bill Douglas Cinema Museum. It does not actively solicit donations, but will accept donations from donors who prefer to donate to the Foundation rather than the University.

NOTE 15 INVESTMENT IN JOINT VENTURES**Falmouth Exeter Plus Group (FX+)**

The University is one of two members of FX+, a company limited by guarantee, having no share capital and being an exempt charity. FX+ is a separate entity, but a linked charity of the University.

FX+ has been established to provide student accommodation, student support and commercial services for the Penryn Campus, occupied by the University and Falmouth University.

Tremough Development Vehicle Limited (TDV Ltd) is a wholly owned subsidiary of FX+. It was established to provide the construction of the main campus for the University and Falmouth University.

Cornwall Plus Limited is a wholly owned subsidiary of FX+. It was established to operate non-student letting of residences, non-academic conferences, external events and corporate hospitality. It commenced trading on 1 August 2013.

FX+, TDV Ltd and Cornwall Plus Ltd have financial years that end on 31 July.

INTO University of Exeter LLP

INTO University of Exeter LLP is a limited liability partnership between Exeter ISC Limited, a wholly owned subsidiary of the University, and INTO Exeter Limited, a wholly owned subsidiary of INTO University Partnerships Limited.

INTO University of Exeter LLP was formed in December 2006 and operates from the University of Exeter's Streatham Campus. Its principal activity is the provision of English language and pre-university foundation, diploma and pre-masters' courses. Its principal place of business is INTO Building, Stocker Road, Exeter, EX4 4PY. Exeter ISC Limited and INTO University of Exeter LLP have financial years that end on 31 July.

Both FX+ and INTO University of Exeter LLP arrangements are joint ventures and are accounted for using the gross equity method, such that 50% of each company's net equity (gross assets less gross liabilities) is included in the consolidated balance sheet of the University and 50% of their net income is reported in the University's consolidated income and expenditure account. Both INTO University of Exeter LLP and Exeter ISC Limited have entered into a gift aid arrangement to distribute surpluses arising on their activities to the University and joint venture partners accordingly.

The University's share in its joint ventures is as follows:

	Group	
	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Share of income:		
Falmouth Exeter Plus Group	12,028	11,315
INTO University of Exeter LLP	7,815	8,045
	19,843	19,360
Share of operating surplus:		
Falmouth Exeter Plus Group	570	134
INTO University of Exeter LLP	674	365
	1,244	499



NOTE 15 INVESTMENT IN JOINT VENTURES (cont.)

	Group	
	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Share of statement of recognised gains and losses		
Falmouth Exeter Plus Group	895	797
INTO University of Exeter LLP	-	-
	895	797
Share of gross assets:		
Falmouth Exeter Plus Group	35,226	35,103
INTO University of Exeter LLP	6,877	5,945
	42,103	41,048
Share of gross liabilities:		
Falmouth Exeter Plus Group	(32,808)	(32,361)
INTO University of Exeter LLP	(6,118)	(5,639)
	(38,926)	(38,000)
Share of net assets:		
Falmouth Exeter Plus Group	2,418	2,742
INTO University of Exeter LLP	759	306
	3,177	3,048

NOTE 16 ENDOWMENT ASSET INVESTMENTS – Group and University

	Group	
	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
At 1 August	30,265	29,148
New endowments invested	1,460	2,238
Disposal of endowment funds	-	(1,115)
Investment gains	2,097	381
(Surplus) for the year transferred to Accumulated Income in endowment funds	(625)	(387)
Balance at 31 July	33,197	30,265
The investments comprise funds invested in:		
Fixed interest stocks	4,937	4,553
Equities	20,402	20,406
Alternative investments	4,666	3,754
Miscellaneous Assets	271	290
Bank balances	2,921	1,262
	33,197	30,265

NOTE 17 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Debtors	12,582	10,234	12,583	10,415
Prepayments and accrued income	20,043	20,647	19,609	20,629
Amounts owed by group undertakings:				
Subsidiary companies	-	-	1,393	17
Related parties	60	274	60	274
	32,685	31,155	33,645	31,335

NOTE 18 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		University	
	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Finance lease prepayment	16,325	16,459	16,325	16,459
	16,325	16,459	16,325	16,459

NOTE 19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Research grants received on account	32,227	30,594	32,227	30,594
Trade creditors	10,006	11,076	9,948	10,874
Finance lease creditor	133	133	133	133
Other creditors	18,229	16,961	19,107	16,961
Social security and other taxation payable	4,115	4,456	4,115	4,456
Bank loans and overdrafts	3,823	3,823	3,823	3,823
Accruals and deferred income	5,790	5,558	5,688	5,435
Amounts owed to group undertakings:				
Subsidiary companies	-	-	-	20
Related parties	1,085	218	1,085	218
	75,408	72,819	76,126	72,514

NOTE 20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		University	
	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Bank loans (see below)	195,265	199,088	195,265	199,088
Finance lease creditor	16,325	16,459	16,325	16,459
Other creditors	1,080	656	1,080	656
Accruals and deferred income	2,912	2,937	2,912	2,937
	215,582	219,140	215,582	219,140

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
i) Total bank loans – Group and University		

Bank loans are repayable as follows:

In less than one year	3,823	3,823
In one to two years	6,448	3,823
In two to five years	24,039	22,244
In five years or more	164,778	173,021
	199,088	202,911



NOTE 20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (cont.)

ii) Included within the total balance above is the following:

	Facility £'000	Interest Rate %	Repayment	Term	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
National Westminster Bank Plc	100,000					
Tranches 1 and 2		5.54	Quarterly	35 years (to 2043)	29,396	30,455
Tranche 3		5.40	Quarterly	35 years (to 2043)	18,711	19,386
Tranches 4 and 5		3.45	Quarterly	30 years (to 2043)	29,600	30,667
Barclays Bank Plc	65,000					
Tranches 1 and 2		5.53	Quarterly	35 years (to 2043)	18,883	19,562
Tranche 3		5.41	Quarterly	35 years (to 2043)	9,498	9,841
Tranche 4		4.39	Quarterly	34 years (to 2043)	10,000	10,000
Tranche 5		4.65	Quarterly	32 years (to 2043)	10,000	10,000
Tranche 6		3.09	Quarterly	30 years (to 2043)	3,000	3,000
European Investment Bank	70,000	3.69	Quarterly	23 years (to 2026)	70,000	70,000
					199,088	202,911

All bank loans are unsecured but include a negative pledge obligation to each of the lenders, whereby the University has agreed not to grant security over its assets to third parties.

Interest rates shown in the table are 'all in' interest rates and include swap rates, bank margins and bank costs. Each swap transaction matches the underlying loan in amount, term and amortisation profile. The University has entered into interest rate swaps in order to fix the interest rate paid on its borrowings over their lifetime. The fair value of these contracts at 31 July 2015 is a £39.5m liability (2014: £26.7m liability).

At 31 July 2015, the University had £25m (2014: £25m) undrawn of its £235m loan facilities. It is intending to draw £10m in future years, retaining a £15m revolving credit facility to utilise for short-term working capital.

NOTE 21 DEFERRED CAPITAL GRANTS – GROUP AND UNIVERSITY

	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2014			
Land and buildings	58,843	77,685	136,528
Equipment	3,851	3,911	7,762
	62,694	81,596	144,290
Grants receivable			
Land and buildings	4,041	2,865	6,906
Equipment	86	5,378	5,464
	4,127	8,243	12,370
Released to Income and Expenditure Account			
Land and buildings	(2,091)	(1,610)	(3,701)
Equipment	(703)	(2,084)	(2,787)
	(2,794)	(3,694)	(6,488)
At 31 July 2015			
Land and buildings	60,793	78,940	139,733
Equipment	3,234	7,205	10,439
	64,027	86,145	150,172
Released to Income and Expenditure Account:			
Funding body grants	2,794		2,794
Research grants and contracts	2,434		2,434
Other income	1,260		1,260
	6,488		6,488



NOTE 22 PERMANENT ENDOWMENTS – GROUP AND UNIVERSITY

	Restricted Permanent 2015 £'000	Unrestricted Permanent 2015 £'000	Year Ended 31 July 2015 Total £'000	Year Ended 31 July 2014 Total £'000
At 1 August:				
Original gift	8,700	365	9,065	9,295
Unapplied Total Return	12,141	20	12,161	11,509
	20,841	385	21,226	20,804
New endowments	-	-	-	365
Disposal of endowments	-	-	-	(595)
Transfer to expendable endowments	-	-	-	-
	-	-	-	(230)
Investment income	319	14	333	223
Released to I&E	(14)	-	(14)	(674)
	305	14	319	(451)
Increase in market value of endowment asset investments	1,418	96	1,514	1,103
	1,418	96	1,514	1,103
At 31 July:				
Original gift	8,700	365	9,065	9,065
Unapplied Total Return	13,864	130	13,994	12,161
	22,564	495	23,059	21,226
Representing:				
Permanent Restricted Fund			4,324	3,394
Exeter Forever Fund			495	385
Institute for Arab & Islamic Studies			18,240	17,447
			23,059	21,226

Permanent Restricted Fund

The permanent restricted fund comprises 80 separate funds that are used for scholarships, prizes and general educational support.

Institute for Arab and Islamic Studies Fund (IAIS)

This endowment provides financial support for academic chairs within the IAIS.

Exeter Forever Fund

The Exeter Forever Fund is a new permanent unrestricted endowment aligned to the University's strategic priorities and areas of greatest need.

NOTE 23 EXPENDABLE ENDOWMENTS – GROUP AND UNIVERSITY

		Year Ended 31 July 2015 Total £'000	Year Ended 31 July 2014 Total £'000
At 1 August		9,039	8,344
At 1 August	Capital	8,758	8,069
	Accumulated Income	281	275
		9,039	8,344
New endowments		1,460	1,873
Disposal of endowments		-	(519)
		1,460	1,354
Investment income		465	880
Expenditure		(1,090)	(1,267)
		(625)	(387)
Increase/(decrease) in market value		264	(455)
Profit/(loss) on disposal		-	183
		264	(272)
At 31 July			
At 31 July	Capital	9,427	8,758
	Accumulated Income	711	281
		10,138	9,039
Representing:	Expendable fund	10,138	9,039
		10,138	9,039

Expendable Fund

The expendable fund comprises 233 separate funds which were donated for a specified purpose, with no restriction to retain as capital. Income is also attributable to the gift until such time as it is expended.

NOTE 24 REVALUATION RESERVE

Group	Freehold	Fixed Asset	Total
	Land & Buildings £'000	Investments £'000	
At 1 August 2014	295,710	7,226	302,936
Revaluation in the year			
Fixed assets investments – Quoted shares	-	6	6
	-	6	6
Transfer from revaluation to general reserve:			
Released on disposal	(253)	-	(253)
Depreciation on re-valued assets	(6,013)	-	(6,013)
	(6,266)	-	(6,266)
At 31 July 2015	289,444	7,232	296,676

University	Freehold	Fixed Asset	Total
	Land & Buildings £'000	Investments £'000	
At 1 August 2014	291,124	7,226	298,350
Revaluation in the year			
Fixed assets investments – Quoted shares	-	6	6
	-	6	6
Transfer from revaluation to general reserve:			
Released on disposal	(253)	-	(253)
Depreciation on re-valued assets	(5,926)	-	(5,926)
	(6,179)	-	(6,179)
At 31 July 2015	284,945	7,232	292,177

NOTE 25 INCOME AND EXPENDITURE RESERVE

	Group		University	
	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Balance at 1 August	62,740	69,369	64,409	69,040
Surplus/(deficit) for the year	13,835	(1,563)	12,718	(276)
Transfers from revaluation reserve	6,266	3,863	6,179	3,777
Actuarial loss on pension schemes	(10,722)	(8,929)	(9,827)	(8,132)
Balance at 31 July	72,119	62,740	73,479	64,409

NOTE 26 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Surplus/(deficit) for the year	13,835	(1,563)
Joint venture profit	(1,244)	(499)
Joint venture distribution received	220	1,899
FRS 17 – Pension adjustment	(887)	(1,092)
Depreciation (note 8)	22,597	20,724
Impairment of land and buildings (note 13)	-	1,220
(Surplus)/Deficit on disposal of tangible fixed assets	(101)	522
Deferred capital grants released (note 21)	(6,488)	(6,543)
Endowment and investment income (note 5)	(2,150)	(3,350)
Interest payable (note 9)	8,648	7,750
Decrease in stock	23	371
(Increase)/decrease in debtors	(1,577)	4,125
Increase/(decrease) in creditors	3,152	645
Net cash inflow from operating activities	36,028	24,209

NOTE 27 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Income from short term investments	722	835
Other interest received	1	9
Interest paid	(8,614)	(7,448)
Net cash outflow from returns on investments and servicing of finance	(7,891)	(6,604)

NOTE 28 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Purchase of tangible assets	(44,211)	(43,911)
Payments to acquire endowment assets	(1,460)	(2,245)
Total fixed and endowment assets acquired	(45,671)	(46,156)
Receipts from the sale of tangible assets	370	44
Receipts from the sale of long term investments	6	989
Receipts from the sale of endowment assets	1,257	1,834
Endowments disposed	-	(1,113)
Deferred capital grants received	11,845	5,712
Endowments received	1,460	2,236
Net cash outflow from capital expenditure and financial investment	(30,733)	(36,454)

NOTE 29 MANAGEMENT OF LIQUID RESOURCES

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Cash invested in short term deposits	21,328	28,776
Increase in endowment cash	(1,659)	(1,218)
Net cash outflow from management of liquid resources	19,669	27,558

NOTE 30 FINANCING

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
New loans	73	70,338
Income from Landsbanki	-	995
	73	71,333
Repayment of amounts borrowed	(4,094)	(4,116)
Net cash outflow from financing	(4,021)	67,217

NOTE 31 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2014 £'000	Cash Flows £'000	At 31 July 2015 £'000
Cash in hand and at bank	76,692	(27,945)	48,747
Endowment cash	1,262	1,659	2,921
Total cash	77,954	(26,286)	51,668
Current asset investments	30,276	21,328	51,604
	108,230	(4,958)	103,272
	(4,094)	-	(4,094)
Debt due within 1 year	(199,744)	4,021	(195,723)
Debt due after 1 year	(95,608)	(937)	(96,545)

NOTE 32 PENSION SCHEMES

The two principal schemes for the University's staff are the national Universities Superannuation Scheme (USS) and the University of Exeter Retirement Benefits Scheme (ERBS), which are externally invested defined benefit schemes, contracted out of the State Second Pension. The assets of the schemes are held in separate trustee-administered funds.

The pension costs for both schemes are assessed using the projected unit method. The assumptions that have the most significant effect on the result of the valuations are the discount rate and inflation rates. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date.

The University also makes contributions to the NHS Pension Scheme (NHSPS) and the National Employer Savings Trust pension scheme (NEST) in respect of a small number of staff.

(i) Universities Superannuation Scheme (USS)

CONTINGENT LIABILITIES AND ASSETS

A contingent liability exists in relation to the pension valuation recovery plan, since the University is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet. The associated receivable from the scheme in respect of the reimbursement of the University's expenditure is similarly not recognised.

PENSION COSTS

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. In 2015, the percentage was 16% (2014: 16%). The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The total pension cost for the University was £17.0 million (2014: £16.3 million). This includes £1.4 million (2014: £1.4 million) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third valuation for USS under the scheme specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

NOTE 32 PENSION SCHEMES (cont.)

The FRS 17 liability numbers in the schemes separate accounts have been produced using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) SINA tables as follows:

Male members' mortality	SINA ("light") YoB tables – No age rating
Female members' mortality	SINA ("light") YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

Existing benefits		
Scheme assets	£49.0bn	£41.6bn
FRS 17 liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding level	72%	75%

At 31 July 2015, the University had 2,758 active members participating in the scheme.

(ii) University of Exeter Retirement Benefits Scheme (ERBS)

The last actuarial valuation of the scheme was dated 5 April 2012. This valuation continued to show that the funds held by the Scheme were insufficient to meet anticipated future commitments. The University has set a revised target of nine years and six months from 1 August 2013, to eliminate this deficit and increased the employer's contributions to 22.5% (from 19%) from 1 August 2013 in order to fund the projected shortfall. The employee contribution rate has also increased to 7.5% (from 6.25%) as from 1 October 2013. The assumptions and other data, which have the most significant effect on the determination of contribution levels, are as follows:

Latest Actuarial Valuation	5 April 2012
Investment return – past service per annum	7.80%
Investment return – future service per annum	5.80%
Pensionable salary increases per annum	3.90%
Rate of RPI price inflation	3.40%
Rate of CPI price inflation	2.65%
Actuarial value of assets at date of last valuation	£79.4m
Value of past service liabilities	£108.9m
Proportion of members' accrued benefits covered by the actuarial value of the assets	73%

NOTE 32 PENSION SCHEMES (cont.)

The principal assumptions used were in accordance with those used by independent qualified actuaries in updating the most recent reviews of the UK schemes for Financial Reporting Standard (FRS 17) purposes as follows:

	Year Ended 31 July 2015 %	Year Ended 31 July 2014 %
Discount rate for scheme liabilities	3.6	4.2
Inflation assumption – RPI	3.5	3.5
Inflation assumption – CPI	2.5	2.5
Long-term salary increases	4.0	4.0
Increases on CARE benefits before retirement (in active service)	3.5	3.5
Pension payment increases – pre 01/08/10 service	2.5	2.5
Pension payment increases – post 01/08/10 service	2.1	2.1

	Year Ended 31 July 2015 Yrs	Year Ended 31 July 2014 Yrs
Future life expectancies at age:		
Male currently aged 65	21.7	21.7
Female currently aged 65	24.1	23.0
Male currently aged 45	23.1	24.3
Female currently aged 45	25.5	25.5

The assets in the scheme and the expected rates of return together with the reconciliation of funded status to the balance sheet were as follows:

	31 July 2015 Long-term rate of return expected		31 July 2014 Long-term rate of return expected	
	% pa	£'000	% pa	£'000
Equities	6.5	74,233	7.2	67,457
Corporate bonds	3.5	9,305	4.1	8,588
Government bonds	2.5	22,757	3.2	18,777
Cash/other	3.5	1,403	3.5	1,603
	5.4	107,698	6.1	96,425
Present value of scheme liabilities		(142,452)		(122,976)
Pension liability		(34,754)		(26,551)

The University employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at 31 July 2015.

NOTE 32 PENSION SCHEMES (cont.)**Income and Expenditure Account**

Analysis of amount charged to the Income and Expenditure account

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Current service cost	4,823	4,387
Total operating charge	4,823	4,387

Analysis of the amount charged to the Income and Expenditure account

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Within salaries and wages – members' contributions	1,325	1,245
Within pension costs – monthly contributions	4,385	4,234
Within pension costs – FRS 17	(887)	(1,092)
Total operating charge	4,823	4,387

Contributions of £1,325,000 (2014: £1,245,000) represent contributions made by current members under a salary sacrifice arrangement and charged to salaries and wages but treated as if part of the University's contributions by the Scheme and for FRS 17 purposes.

Analysis of amount credited to investment income

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Expected return on pension scheme assets	5,884	5,698
Interest on pension scheme liabilities	(5,147)	(5,020)
Net credit on pension scheme funds	737	678

Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Total actuarial losses recognised in the STRGL	(9,827)	(8,132)
Cumulative amount of losses recognised in the STRGL	(57,203)	(47,376)

NOTE 32 PENSION SCHEMES (cont.)**Movement in the scheme deficit during the year**

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Deficit on scheme at 1 August	(26,551)	(20,189)
Movements in the year:		
Current service cost	(4,823)	(4,387)
Contributions paid	5,710	5,479
Other finance income	737	678
Actuarial losses	(9,827)	(8,132)
Deficit on scheme at 31 July	(34,754)	(26,551)

Changes to the present value of the defined benefit obligation during the year

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Opening defined benefit obligation	122,976	111,581
Current service cost	4,823	4,387
Interest cost	5,147	5,020
Contributions by scheme participants	250	252
Actuarial losses on scheme liabilities*	15,138	6,370
Net benefits paid out	(5,882)	(4,634)
Closing defined benefit obligation	142,452	122,976

* Includes changes to the actuarial assumptions.

The University expects to contribute £5.9m to the scheme in 2015/16.

Changes to the fair value of scheme assets during the year

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Opening fair value of scheme assets	96,425	91,392
Expected return on scheme assets	5,884	5,698
Actuarial gains/(losses) on scheme assets	5,311	(1,762)
Contributions by the employer	5,710	5,479
Contributions by scheme participants	250	252
Net benefits paid out	(5,882)	(4,634)
Closing fair value of scheme assets	107,698	96,425

Actual return on scheme assets

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Expected return on scheme assets	5,884	5,698
Actuarial gains/(losses) on scheme assets	5,311	(1,762)
Actual return on scheme assets	11,195	3,936

NOTE 32 PENSION SCHEMES (cont.)**History of asset values, defined benefit obligation and deficit in the scheme**

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Fair value of scheme assets	107,698	96,425	91,392	79,458	80,065
Defined benefit obligation	(142,452)	(122,976)	(111,581)	(93,029)	(92,426)
Deficit in the scheme	<u>(34,754)</u>	<u>(26,551)</u>	<u>(20,189)</u>	<u>(13,571)</u>	<u>(12,361)</u>

History of experience gains and losses

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Experience gains/(losses) on scheme assets:					
Amount (£'000)	5,311	(1,762)	8,899	(4,455)	6,428
% of scheme assets	4.9%	(1.8%)	9.7%	(5.6%)	8.0%
Experience (losses)/gains on scheme liabilities:					
Amount (£'000)	-	-	(1,688)	-	-
% of the present value of scheme liabilities	0%	0%	(1.5%)	0%	0%
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£'000)	(9,827)	(8,132)	(7,918)	(2,832)	(1,024)
% of the present value of scheme liabilities	(6.9%)	(6.6%)	(7.1%)	(3.0%)	(1.1%)

(iii) Total pension cost

The total pension cost for the University was:

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Contributions to USS - regular cost	16,911	16,287
Contributions to ERBS - current service cost	4,823	4,387
Salary sacrifice contributions included in salaries and wages	(1,325)	(1,245)
Contributions to other pension schemes	<u>559</u>	<u>475</u>
	<u>20,968</u>	<u>19,904</u>
Supplementary pension costs	-	-
Early retirement pension enhancement costs	-	-
Total pension cost	<u>20,968</u>	<u>19,904</u>

NOTE 33 CAPITAL COMMITMENTS – GROUP AND UNIVERSITY

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Commitments contracted at 31 July	27,805	49,542
Authorised but not contracted at 31 July	19,599	18,600
	<u>47,404</u>	<u>68,142</u>

During the year expenditure was incurred on academic buildings and student amenity buildings.

Capital commitments will be funded by a mixture of grants, loans, donations and internal working capital.

NOTE 34 FINANCIAL COMMITMENTS

As at 31 July, the University had annual commitments under non-cancellable operating leases as follows:

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Expiring within one year	64	47
Expiring within two and five years inclusive	892	691
	<u>956</u>	<u>738</u>

NOTE 35 FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Examples of financial instruments include: cash; bank accounts; debtors and creditors; investments and options, forward contracts and hedging instruments and loans.

Nature and Extent of Risks Arising from Financial Instruments

The University's activities expose it to a variety of financial risks. The main risks to the University's treasury activities are:

- Credit and counterparty risk (security of investments);
- Liquidity risk/refinancing risk (inadequate cash resources / impact of debt maturing in future years);
- Market or interest rate risk (fluctuations in interest rate levels);
- Inflation risk (exposure to inflation);
- Foreign exchange risk.

Credit and Counterparty Risk

Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the University an unexpected burden on its capital or revenue resources.

The risk is minimised through the investment strategy, and more specifically by the defined lending counterparty criteria, which sets out the criteria with which potential counterparties' creditworthiness is judged. They take account of counterparty ratings by the three major ratings agencies, Fitch; S&P and Moody's, with the lowest rating of the three being used. Limits are set on the amount that can be invested with each financial institution based on ratings, group structure, duration, and country of domicile.

NOTE 35 FINANCIAL INSTRUMENTS (cont.)

The lending counterparty criteria are proposed and approved regularly, incorporating any changes in financial institutions or developments in the wider political, economic, or legal environment.

A range of indicators are used to assess counterparties' creditworthiness, not just credit ratings. Among other indicators that are taken into account are:

- credit default swaps and spreads;
- likelihood and strength of parental support;
- government guarantees and support;
- market information on corporate developments and market sentiment towards the counterparties and sovereigns.

Liquidity / Refinancing Risk

A comprehensive cash flow management system is operated to ensure that cash is available as needed. Cash investments are made with reference to the outlook for the UK bank rate and money market rates. Short-term deposits are made with suitable counterparties, and it has become more frequent under current market conditions that call accounts are used.

Limits on the proportion of fixed rate borrowing due to mature during specified periods are set. A revolving credit facility of £15m is retained which can be drawn to mitigate the effects of any unexpected cash movements.

Market Risk

The University seeks to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Interest Rate Risk

The University is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the University. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit will rise;
- investments at variable rates – the interest income credited to the surplus or deficit will rise.

The University has a number of strategies at its disposal for managing interest rate risk. During periods of falling or continued low interest rates, and where economic circumstances make it favourable, fixed rate loans can be repaid early to limit exposure to losses. Interest rate swaps are used to hedge variable rate loans, and create stability and certainty. As far as investments are concerned, the University seeks to optimise returns commensurate with its objectives of security and liquidity. With the UK Bank Rate maintained at 0.5% through the year, short term money market rates remained at very low levels, having a significant impact on investment income. To mitigate the effects of this, the investment policy allows longer loan periods and most counterparties have been increased from one to twelve month placements.

Some call accounts offered yields in excess of those on offer for time deposits up to twelve months, which meant that it was beneficial to use these facilities, not just for liquidity and yield, but in mitigating counterparty and interest rate risk.

Foreign Exchange Risk

Bank accounts are held denominated in Sterling, Euros and Dollars. Invoices are paid in a variety of currencies and therefore there is some exposure to fluctuations in exchange rates. By holding Euro and Dollar denominated accounts exchange rate risk can be minimised. Payments made in Euros or Dollars are converted at the point of raising the invoice for accounting purposes and any realised or unrealised gains recorded at year end.

NOTE 36 RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the University Council (with members being drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest.

Details of the organisations in which members of Council have an interest are published online at www.exeter.ac.uk/about/organisation/council/whoweare

All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest.

The University has taken advantage of the exemption under FRS 8 'Related party disclosures' not to disclose transactions with subsidiaries that are wholly owned. Included in the table below are transactions with related parties of the University not covered by the exemption.

2014/15	Income recognised in the Financial Statements £'000	Expenditure recognised in the Financial Statements £'000	Balance due to/(from) the University £'000
BSW Consulting Ltd	-	9	(1)
Camborne School of Mines Trust	37	-	17
Falmouth Exeter Plus Group	34	4,873	(1,085)
Hospiscare	-	8	-
INTO University of Exeter	1,221	728	60
Russell Group	-	159	-
Sainsbury Laboratory	-	1	-
SW Academic Health Science Network	27	26	-
UCAS	14	152	-
UCAS Enterprises Ltd	-	29	-
Willis Ltd	56	-	14
<hr/>			
2013/14	Income recognised in the Financial Statements £'000	Expenditure recognised in the Financial Statements £'000	Balance due to/(from) the University £'000
BBSRC	4,137	-	-
BSW Consulting Ltd	-	4	(1)
Camborne School of Mines Trust	36	-	7
Falmouth Exeter Plus Group	44	4,306	218
INTO University of Exeter	1,565	577	24
NUS Services Ltd	1	7	-
Quintiles Pharmaceutical Company	1	-	-
SW Academic Health Science Network	1	-	-
UCAS	8	137	-
UCAS Enterprises Ltd	-	13	-
Veale Wasborough	-	2	(1)
Willis Ltd	55	-	-

NOTE 36 RELATED PARTY TRANSACTIONS (cont.)

Biotechnology and Biological Sciences Research Council (BBSRC)

The BBSRC is one of seven Research Councils funded by the Government's Department for Business, Innovation and Skills (BIS). One senior Council member was a Committee Chair of BBSRC during 2013/14.

BSW Consulting

BSW Consulting Ltd is a firm of consulting civil and structural engineers. One Council member is currently a Director.

Camborne School of Mines Trust

The Camborne School of Mines Trust funds research and teaching. The school merged with the University of Exeter in 1993. Two Council members are currently Trustees.

Hospiscare

Hospiscare is a charity for dedicated support for the terminally ill. One Council member is currently a trustee of Hospiscare.

NUS Services Ltd

NUS Services is the commercial arm of National Union of Students. One Council member was a Non-Executive Director during 2013/14.

Quintiles Pharmaceutical Company

Quintiles Transnational is a provider of biopharmaceutical development and commercial outsourcing services. One Council member is currently a Director.

The Russell Group

The Russell Group is the group of 24 leading Universities in the UK, aimed at maintaining excellence in research and teaching. One Council member is currently a board member.

Sainsbury Laboratory

Sainsbury Laboratory is a research institute aiming to elucidate the regulatory systems underlying plant growth and development. One member of Council is currently Chair of the Governing Council.

South West Academic Health Science Network

The South West Academic Health Science Network is a partnership of various health agencies. One Council member is currently a Director.

UCAS

UCAS is a sector shared service, providing an undergraduate application and admission service. One Council member is currently a Director.

UCAS Enterprises Ltd

UCAS is a registered charity. It provides application services across a range. One Council member is currently a Director.

Veale Wasbrough

Veale Wasbrough is a full service commercial law firm. One Council member is currently a Member.

Willis Group Holdings plc

Willis Group Holdings plc is a multinational risk advisor, insurance brokerage and reinsurance brokerage company. One Council member is currently an Employee.

Falmouth Exeter Plus Group

The University is one of two members of FX+, a company limited by guarantee, which has no share capital and is an exempt charity. FX+ is a joint venture company owned equally by the University and Falmouth University. FX+ is a linked charity of the University of Exeter.

FX+ has been established to operate student and commercial services for the Penryn Campus.

NOTE 36 RELATED PARTY TRANSACTIONS (cont.)

The University and Falmouth University have jointly and equally guaranteed four loan facilities to FX+:

- A loan from Lloyds TSB Bank plc of £18.6m for 30 years at a fixed rate of 5.215% which was drawn down in September 2004.
- A loan from Lloyds TSB Bank plc for £10m for a term of 30 years at a fixed rate of 5.065% which was drawn down in December 2006.
- A loan from Barclays Bank Plc of £20.5m for new residences. The loan is repayable over 30 years, at a fixed rate of 2.5%, and was drawn down in July 2010.
- A loan of £8m for new residences, £4m from the European Investment Bank (EIB) at a fixed rate of 2.4% and £4m from Lloyds TSB Bank at a fixed rate of 3.8%. The loan is repayable over 16 years. The EIB loan was drawn down in May 2012 and the Lloyds loan was drawn down at various stages from June 2012 – October 2013.

Cornwall Plus Limited is a wholly owned subsidiary of FX+ which operates the commercial, non-charitable activities of the joint venture primarily relating to non-student letting of residences, non-academic conferences, external events and corporate hospitality for third parties.

Tremough Development Vehicle Limited (TDV) is a wholly owned subsidiary of FX+. It was established to provide the construction of the main Penryn campus on behalf of the University and Falmouth University.

During the year TDV continued to contract for the design and construction of infrastructure, shared and academic spaces for the further development for the Penryn campus. TDV contract the works with third parties and recover funds from the University and Falmouth University on the basis of an agreed split of costs and usage of space. The FX+ Group has capital commitments as follows:

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Commitments contracted at 31 July	280	342
Authorised but not contracted at 31 July	2,584	1,798
	2,864	2,140



NOTE 36 RELATED PARTY TRANSACTIONS (cont.)

Amounts authorised are in respect of various construction and other capital projects at Penryn Campus less commitments to date.

Transactions between the University and FX+ were as follows:

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Income derived from the FX+ Group	34	44
Expenditure incurred with the FX+ Group	(4,873)	(4,306)
Payments by the FX+ Group on behalf of the University	711	710

Payments by FX+ on behalf of the University represents amounts paid to contractors for the University's share of the design and construction of the further development of Penryn Campus.

The balances owing between the University and FX+ at the year-end were as follows:

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Amount owing from University of Exeter to the FX+ Group	1,085	218
Amount due to University of Exeter from the FX+ Group	-	-

INTO University of Exeter LLP/Exeter ISC Limited

The Group holds a 50% share of INTO University of Exeter LLP, a limited liability partnership. INTO University of Exeter LLP is a joint venture partnership with INTO University Partnerships Limited and the remaining 50% share is owned by INTO Exeter Limited, a wholly owned subsidiary of INTO University Partnerships Limited.

Transactions between the University and INTO University of Exeter LLP in the normal course of business were as follows:

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Income derived from INTO University of Exeter LLP	1,221	1,565
Expenditure incurred with INTO University of Exeter LLP	728	577

The balances owing between the University and INTO University of Exeter LLP at the year end were as follows:

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Amount owing from INTO University of Exeter LLP	60	765
Amount due to INTO University of Exeter LLP	-	741

NOTE 37 ACCESS FUNDS

Summary of transactions for the year ended 31 July 2015

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Balance at 1 August	39	4
Funding Council grants	-	181
Interest earned	-	2
	<u>39</u>	<u>187</u>
Disbursed to students	(39)	(141)
Administration costs	-	(7)
	<u>-</u>	<u>39</u>
Balance at 31 July	-	39

Funding Council grants are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

**NOTE 38 NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP (NCTL)
INITIAL TEACHER TRAINING BURSARIES**

Summary of transactions for the year ended 31 July 2015

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Balance at 1 August	197	114
NCTL grants received	2,358	3,080
Total NCTL training bursary funding available for the year	2,555	3,194
Disbursements to students	(2,407)	(2,997)
	<u>148</u>	<u>197</u>
Balance at 31 July	148	197

NCTL training bursaries are available solely for students; the University acts only as paying agent. The training bursaries are therefore excluded from the Income and Expenditure Account.

These pages do not form part of the Statutory Financial Statements

INCOME AND EXPENDITURE

	2014/15 £'000	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000
Income					
Funding body grants	39,905	47,497	58,314	68,534	74,815
Tuition fees and education contracts	181,580	150,623	119,808	93,745	81,261
Research grants and contracts	69,757	60,071	54,346	49,922	46,327
Other income	46,103	42,919	45,869	41,509	41,855
Endowment and investment income	2,150	3,350	1,784	3,295	1,912
Total income	339,495	304,460	280,121	257,005	246,170
Expenditure					
Staff costs	177,018	168,465	152,535	140,582	127,957
Other operating expenses	110,071	108,750	108,670	92,152	84,739
Depreciation	22,597	20,724	17,634	15,836	15,803
Impairment	-	1,220	-	5	3,121
Interest payable	8,648	7,750	5,110	4,967	4,883
Total expenditure	318,334	306,909	283,949	253,542	236,503
Operating surplus/(deficit)	21,161	(2,449)	(3,828)	3,463	9,667
Share of operating profit/(loss) in JV	1,244	499	1,632	1,556	869
Exceptional items	(7,452)	-	-	-	-
Taxation	(1,743)	-	-	-	-
Surplus/(deficit) for the year on continuing operations	13,210	(1,950)	(2,196)	5,019	10,536
Transfer from endowments	625	387	1,057	(288)	640
Surplus/(deficit) for the year	13,835	(1,563)	(1,139)	4,731	11,176
HISTORIC COST RESULTS					
Surplus/(deficit) for the year on continuing operations	13,210	(1,950)	(2,196)	5,019	10,536
Historical cost adjustments	6,266	3,863	5,677	3,397	3,380
Historic cost surplus for the year	19,476	1,913	3,481	8,416	13,916
EBITDA	46,163	19,818	12,571	19,181	27,007

These pages do not form part of the Statutory Financial Statements

BALANCE SHEET

	2014/15 £'000	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000
Fixed assets	694,935	673,458	610,978	590,592	556,206
Endowment asset investments	33,197	30,265	29,148	23,488	23,884
Net current assets	74,368	82,199	17,994	12,688	10,883
Creditors: due after one year	(215,582)	(219,140)	(136,751)	(122,490)	(105,721)
	586,918	566,782	521,369	504,278	485,252
Provisions for liabilities	-	-	-	-	(339)
Pension liability	(34,754)	(26,551)	(20,189)	(13,571)	(12,361)
Total net assets	552,164	540,231	501,180	490,707	472,552
Represented by:					
Deferred capital grants	150,172	144,290	143,556	130,352	116,113
Endowment reserve	33,198	30,265	29,148	23,488	23,884
Revaluation reserve	296,676	302,936	259,107	263,899	264,721
Income and expenditure reserve	72,119	62,740	69,369	72,968	67,834
Total funds	552,164	540,231	501,180	490,707	472,552

	2014/15	2013/14	2012/13	2011/12	2010/11
Finance Strategy KPIs					
Earnings (EBITDA) as a % of Total Income	13.6%	6.5%	4.5%	7.5%	11.0%
Normalised ⁵ earnings (EBITDA) as a % of Total Income	10.6%	6.5%	4.5%	7.5%	11.0%
Staff Cost ratio	52.1%	54.5%	54.7%	55.1%	52.4%
Normalised staff Cost ratio	54.2%	54.5%	54.7%	55.1%	52.4%
Debt Servicing Costs as a % of Earnings	26.6%	59.7%	46.2%	26.1%	18.0%
Normalised Debt Servicing Costs as a % of Earnings	35.4%	59.7%	46.2%	26.1%	18.0%
Net debt to EBITDA	2.1	4.8	6.3	3.8	2.1
Normalised net debt to EBITDA	2.8	4.8	6.3	3.8	2.1
Liquidity Days: Cash balances	107.4	119.2	80.3	71.3	77.4
Normalised Liquidity Days: Cash balances	107.4	119.2	80.3	71.3	77.4
Liquidity Days: Cash balances and available RCF	123.5	135.9	100.8	94.3	102.6
Normalised Liquidity Days: Cash balances and available RCF	123.5	135.9	100.8	94.3	102.6

⁵ 'Normalised' has been defined in the Business Review on page 2 of the financial statements



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