



Financial Statements

FOR THE YEAR ENDED 31 JULY 2007

A large, dark blue rounded square containing white text, set against a background of a golden sunburst pattern of thin white lines radiating from the center. The text reads: "The Times Higher University of the Year 2007/08".

The Times Higher
University
of the Year
2007/08

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The Financial Statements are also on the web at
www.exeter.ac.uk/about/accounts

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PRO-CHANCELLORS

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Mr P Lacey, BSc BArch *RIBA*

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Professor Steven M Smith, MSc PhD *S'ton ACSS*

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Professor Janice M Kay, BA *Newc* PhD *Cantab* AFBPS
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TREASURER

Gerald A Sturtridge, BSc (Eng) *Brist* FCA

REGISTRAR AND SECRETARY

David J Allen, BA MEd *Wales*

DIRECTOR OF FINANCE

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BANKERS

National Westminster Bank plc	Barclays Bank plc
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INVESTMENT MANAGERS

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	EC3V 0UF

AUDITORS

Ernst & Young LLP
Broadwalk House
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EX1 1LF

REPORT OF THE TREASURER

RESULTS FOR THE YEAR

The past year has seen a number of important milestones for the University, the most significant of which was becoming a top twenty UK university three years ahead of our 2010 target date. The University's own monitoring indicated that this would occur, but we were delighted that it was also evidenced by 17th position in the Times and Sunday Times League Tables and in the UK Good University Guide reported in the Daily Telegraph. We were also delighted that our performance in the National Student Survey placed the University within the top ten for overall student satisfaction. The identification of our own key metrics against which to measure and improve our performance has proved fundamental to this achievement and has ensured financial resources are directed to areas of maximum benefit in order to reach this goal.

Other important milestones in 2006/07 include:

- The graduation of the first doctors from the Peninsula College of Medicine and Dentistry;
- Total investment of £10.2m in our Cornwall Campus in preparation for the delivery of Phase 2; the first Phase 2 students arrived in September 2007;
- Creation of a partnership with INTO University Partnerships Limited (INTO University of Exeter LLP), bringing new opportunities for international students to benefit from the excellent teaching and research at this University;
- The implementation of the "Framework Agreement" which moved all staff to a single pay spine and a common set of terms and conditions;
- The first cohort of variable fee paying undergraduates;
- An additional £0.9m funding for bursaries targeted at widening participation and ensuring that the entry criterion the University is really interested in is excellence;
- Further key appointments in support of the University's research-intensive agenda.

The financial backdrop to this has been a year of investment for the future. The University's consolidated financial deficit was £0.7m after exceptional surpluses of £3.2m (2005/06 a deficit of £1.2m after exceptional losses of £2.4m). On the historical cost basis, the basis used by the Higher Education Funding Council for England (HEFCE) to judge performance, the consolidated result was a surplus of £5.7m, an improvement of £2.0m over the £3.7m surplus reported in 2005/06. Of this improvement, £4.9m related to the movement in exceptional items reported in 2005/06 and 2006/07, offset by a deterioration at the operating level with a surplus of £0.4m compared with a surplus of £3.3m in 2005/06.

This deterioration in the operating financial performance from 2005/06 was planned and timed to coincide with the investment this University wished to make in the 2008 Research Assessment Exercise (RAE) through the appointment of excellent and World class researchers. The financial plans for the future indicate an improving position as further variable fees arise, although the surplus the University is forecasting is still small in comparison with the overall turnover of the business.

RESULTS FOR THE YEAR – INCOME AND EXPENDITURE ACCOUNT

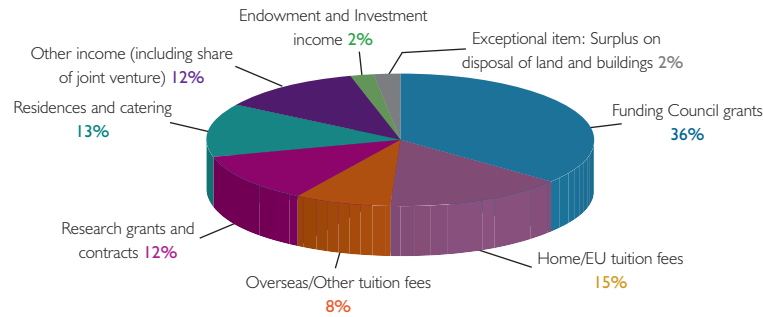
The summarised consolidated results on an historical cost basis for the years to 31 July are as follows:

	2007	2006	2005
	£m	£m	£m
Income	152.4	137.6	128.9
Expenditure	(151.2)	(134.0)	(129.2)
Share of operating loss in joint venture	(0.8)	(0.3)	(0.1)
	<u>0.4</u>	<u>3.3</u>	<u>(0.4)</u>
Exceptional item	5.3	0.4	(6.2)
Historical cost surplus/(deficit) for the year	<u>5.7</u>	<u>3.7</u>	<u>(6.6)</u>

REPORT OF THE TREASURER

INCOME

To gain the benefits of economies of scale, increased income generation remains fundamental to the University's ability to deliver its long-term objectives. Turnover increased by 10.8% in the year from that reported in 2005/06.



Funding Council grants continued to represent 38.0% of net income. Core recurrent income from HEFCE and the Training and Development Agency for Schools (TDA) increased by 11.1%.

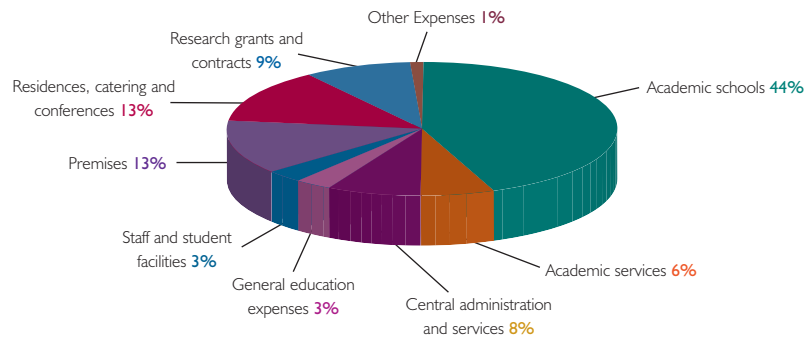
Tuition fees increased by 18.4%, with an additional £5.4m (15.4% of the total) generated from additional variable fee income and £0.7m from increased activity in Cornwall. Income from international students saw a disappointing downturn, emphasising the relevance for the future of the new INTO University of Exeter LLP partnership.

Post-graduate recruitment was also well below target, but the use of the University's central contingency provision prevented a damaging impact on operating performance.

Research grants and contracts grew by £3.0m (18.4%). This reflected the University's continuing focus on excellence in research activity ahead of the Research Assessment Exercise in 2008, and in particular in the School of Biosciences which experienced a 33% increase from £3.3m to £4.4m.

Other income streams grew broadly in line with inflation.

EXPENDITURE



REPORT OF THE TREASURER

Historical cost total expenditure increased by 12.8%, 2.0% more than net income which grew by 10.8%.

Staff costs grew by 13.9% in 2006/07. This increase was the expected impact of the full annual cost of the significant pre 2008 Research Assessment Exercise recruitment activity in 2005/06 and the further investment in staff in 2006/07, the increase in externally funded staff costs, combined with the impact of the Framework Agreement and the national pay award.

Other operating expenses increased by 12.0% (£5.4m). This included an additional £2.5m in bursaries, scholarships and other aspects of student support, including £0.9m in central bursaries following the introduction of variable fees. Although utility costs increased by more than 20%, this is well below the predicted increase. The increase in research activity also contributed to the above-inflation rise in other operating expenses.

Depreciation increased by £2.5m (33.4%) as a result of the revaluation of fixed assets at the end of 2005/06 and the completion of Phase 2 buildings in Cornwall.

Interest payable on bank loans increased by £0.5m (12.4%) as long term liabilities reached a peak of £77.9m (2005/06 £76.8m).

The University's share of the results of its new joint venture, INTO University of Exeter LLP, was a loss of £0.4m, in line with the first year of its business plan.

2006/07 was expected to be a difficult year financially to support investment in the Research Assessment Exercise. The University's planned historical cost operating deficit was offset by the disposal of a number of properties, both as part of the strategic plan for improving student residences and in order to realise significant returns for the Research Assessment Exercise investment. In the event, savings in operating expenditure combined with a number of other positive variances resulted in a pleasing operating historical cost surplus.

CASH FLOW

The University's operating cash inflow was £4.8m, a reduction of £8.5m over 2005/06. This was the result of a combination of the deterioration in operating position and a much lower increase in creditors compared with 2005/06.

The overall cash outflow for the year was £2.3m. This movement of £7.1m from the operating cash inflow was largely as a result of the transfer of cash into more efficient short term deposits (£8m) offset by capital receipts.

BALANCE SHEET

The University's net assets have increased to £408m from £372m, an increase of 9.6%. A major contributory factor was a £12.7m reduction in the Exeter Retirement Benefits Scheme (ERBS) pension liability.

The reduction in the ERBS pension liability arose due to a number of circumstances:

- The return on invested assets of £7m was £3m more than expected and reflects the good performance of the invested assets of the Scheme over the year.
- The formal valuation of the Scheme as at 6 April 2006 was completed after the finalisation of the accounts for the year ended 31 July 2006. This valuation indicated a change in the age/sex profile of membership from the previous April 2003 tri-annual valuation. This change in mix resulted in a gain of £3m to the Scheme.
- Changes in assumptions led to a gain of around £6m. As at 31 July 2007 the yield on AA-rated corporate bonds was 5.8% (compared with 5.1% as at 31 July 2006). This increase is offset slightly by an increase to the inflation assumption and by the longevity assumption being strengthened.

REPORT OF THE TREASURER

Tangible fixed assets increased by £18.1m demonstrating the University's desire to continue to upgrade and invest in its infrastructure. The main capital projects during the year were: the continuation of the investment in Phase 2 of the University of Exeter Cornwall Campus (£6.9m); construction of Phase 2 at the Innovation Centre (£4.9m); expenditure regarding the continued establishment of the School of Bio-Sciences within the Geoffrey Pope Building (£2.1m); the refurbishment of the Queens Building (£1.5m); and the addition of new and improved utilities and services to the Duryard site in preparation for the INTO University of Exeter LLP student residences (£1.1m). Endowment assets increased by 14.1% from £16.6m in 2005/06, reflecting strong investment performance.

Net current assets increased by £3.4m. Restricted cash at bank has decreased by £1.5m as loans already drawn down and held by our bankers are applied to capital expenditure. Non-restricted cash balances fell by £2.3m, but a further £8m was held in short term investments. Increased debtors (£4.7m) are offset by increased creditors (£5.4m).

Long-term creditors increased by £1.1m as the final bank loans were drawn down to fund capital investments.

FUTURE DEVELOPMENTS

The financial position of the University for 2006/07 has built on the improvement seen in 2005/06 and this will continue into the coming year. 2007/08 will see the first cohort of Phase 2 students join our Cornwall Campus and plans for Phase 3 are advancing. The first dental students will join the Peninsula College of Medicine and Dentistry and the INTO University of Exeter LLP partnership will ensure the University is well placed to strengthen its profile overseas in an increasingly competitive international market.

There are several fundamental changes in the Higher Education landscape on the horizon and we must ensure we are prepared for the new environment, particularly in relation to the post Research Assessment Exercise world and the review of the student variable fee cap after 2009.

The extensive planning, preparation and investment ahead of the Research Assessment Exercise in 2008 means we anticipate an improvement in the reported research excellence at the University. The financial impact of this Research Assessment Exercise improvement however remains unclear. The University has positioned itself as well as it can given the future uncertainties that exist about the Research Assessment Exercise process. The University's longer term plans demonstrate that we now have the capacity for a significant investment to attain our strategic goals, whatever the outcome of the Research Assessment Exercise.

The University is now in a position to plan for long term investment in the delivery of a campus fit for purpose in an environment of increasing student expectations. The implementation of the first phase of the Infrastructure Strategy will see:

- A major refurbishment of the Geoffrey Pope Building to improve facilities available to the School of Biosciences;
- An expansion of the School of Business and Economics to address increasing student numbers arising from the INTO University of Exeter LLP partnership;
- The possibility of an exciting new development in the heart of the campus, delivering a combination of social, student service, teaching and learning space.

The University is also now preparing to invest significant sums to further grow and enhance the provision of Science in both Cornwall and Exeter.

The University has achieved its target of top twenty by 2010 three years early in 2007. Over the coming months we will be setting new targets to ensure we not only maintain the University's position but work towards new heights of excellence, both in the delivery of our research agenda and the student experience.

G A STURTRIDGE
TREASURER

17 December 2007

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The following statement is provided to enable readers of the Financial Statements of the University to obtain a better understanding of the governance and legal structure of the University.

PRINCIPLES OF OPERATION

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

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.

MANAGEMENT

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

- **The Council** is the supreme governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. The approval by Council of any changes to the Charter and Statutes is required before they can be submitted to the Privy Council.

It has a majority of members from outside the University (described as lay members), from whom its Chair must be drawn. Also included in its members are representatives of the staff of the University and the

student body. None of the lay members receives payment, apart from the reimbursement of expenses, for the work that the member does for the University.

- **The Senate** is the academic authority of the University and draws its membership from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.
- **The Court** is a large, mainly formal body which offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise any matters about the University. The Court normally meets once a year to receive the Annual Report and Accounts of the University and has the right to advise Senate and Council.

A majority of the members of the Court will be from outside the University, representing the local community and other designated bodies with an interest in the work of the University. The membership also includes representatives of the staff of the University (both academic and non-academic), the student body, former students and benefactors.

In addition to the above three bodies, Council has an Audit Committee which the University is required to maintain in accordance with its Financial Memorandum with the Higher Education Funding Council for England (HEFCE) in order to ensure that it is fulfilling its responsibilities for proper financial management, effective internal control, risk management and value for money.

- **The Audit Committee** is a Committee of Council which considers detailed reports from the University's Auditors that include recommendations for the improvement of the institution's systems of internal control, together with management responses and implementation plans. The Committee also receives and considers reports from the HEFCE as they affect the University's business and monitors adherence to regulatory requirements.

CORPORATE GOVERNANCE STATEMENT

The Audit Committee 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 Committee consists of members with no executive responsibility for the management of the University.

REMUNERATION COMMITTEE

Remuneration Committee is responsible for setting the salaries of all senior staff, including members of the Vice-Chancellor's Executive Group, Heads of Schools, Professors and Professorially-related staff. With effect from 2006/07, members of VCEG agreed to forgo the nationally-negotiated general increase in favour of a performance-related review. Under this arrangement, VCEG members are eligible for a team bonus in addition to having their salary individually reviewed. Reflecting the exceptional achievements of 2006/07 the team bonus was paid in full. Remuneration Committee favours a close link between performance and reward and intends to review these arrangements over time and to consider whether they could be applied to other members of senior management.

VICE-CHANCELLOR

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 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.

UNIVERSITY COMMITTEES

Although the Council meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular the Strategy, Performance and Resources Committee and the Audit Committee. The decisions of these Committees are formally reported to the Council.

These Committees, and in some cases others, are formally constituted as committees of the Council with written terms of reference and specified membership, including a significant proportion of lay members from whom the Chair will be selected (with the exception of the Strategy, Performance and Resources Committee that is chaired by the Vice-Chancellor).

In respect of its strategic and development responsibilities Council receives recommendations and advice from the Strategy, Performance and Resources Committee, which recommends to Council the University's annual revenue budget and monitors performance in relation to the approved budget.

STATEMENT OF INTERNAL CONTROL

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 the HEFCE.

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the

CORPORATE GOVERNANCE STATEMENT

achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively, and economically. This process has been in place for the year ended 31 July 2007 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 (four times a year) to consider the plans and strategic direction of the institution and receives periodic reports from the Chairman of Audit Committee concerning internal control. The Audit Committee receives regular reports from the internal audit, which includes an independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.

The University has established the Performance and Risk Steering Group to manage the development of risk management at Exeter and the Audit Committee oversees the work undertaken through the consideration of regular reports and an annual meeting with representatives of the Group. A regular programme of facilitated workshops is held to identify and keep up to date the record of risks facing the organisation (the programme was initially targeted at the University's Senior Management Group but has now been made available to others across the University). The Performance and Risk Steering Group also regularly reports to Council, via managers, on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

The University continues to undertake a programme of risk awareness training and a robust risk prioritisation methodology based on risk ranking has been developed, together with the on-going maintenance of an organisation-wide risk register.

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 contracted to Exeter, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Services in September 2005. The internal auditors submit regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, with recommendations for improvement.

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 and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

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 Registrar and Secretary.

FURTHER INFORMATION

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

MEMBERSHIP OF COUNCIL

1. Mr Bert Biscoe: Cornwall County Council
2. Mr Seán Goddard: School of Geography, Archaeology and Earth Resources (member of non-Academic staff)
3. Mr Russell Seal: Chair and Pro-Chancellor
4. Sir Robin Nicholson FRS FREng: Former Professor of Metallurgy, Chief Scientific Advisor to the Cabinet Office
5. Mr John Allwood: Chief Operating Officer, Mecom plc
6. Ms Bettina Rigg: Partner, Bond Pearce LLP*
7. Professor Mark Overton: Deputy Vice-Chancellor (Resources)
8. Miss Jess Dow: President of the Students' Guild*
9. Mr Jeremy Lindley: Director of Finance and Corporate Services (in attendance)
10. Mr Peter Lacey: Pro-Chancellor
11. Professor Janice Kay: Deputy Vice-Chancellor (Education)
12. Professor Neil Armstrong: Deputy Vice-Chancellor (External Affairs)
13. Professor Jonathan Barry: Head of School of Humanities and Social Sciences (appointed by Senate)*
14. Professor Robert Van de Noort: Head of School of Geography, Archaeology and Earth Resources (appointed by Senate)
15. Ms Michele Shoebridge: Director of Academic Services (in attendance)
16. Professor Roger Kain: Senior Deputy Vice-Chancellor (Research)
17. Mr David Allen: Registrar & Secretary
18. Mr Gerald Sturtridge: Treasurer
19. Lady Lucy Studholme: Privy Council representative on the University Court
20. Mr Marc Jordan: Management Consultant*

21. Mr Richard Hughes: Chair of Audit Committee (External Affairs)
22. Ms Sally Wilcox: BT Regional Director for the South West*

MEMBERS OF COUNCIL 2007-08

NOT PICTURED:

The Rt Revd Michael Langrish: Lord Bishop of Exeter
Mr Wilfred Emmanuel-Jones: The Black Farmer®
Dame Suzi Leather DBE: Chair of the Charity Commission
Mr Hugh Stubbs: Solicitor (retired)
Professor Steve Smith: Vice-Chancellor
Dr Catherine Brace: Academic Staff Association (appointed by Senate)

** Appointed as Member of Council 1 August 2007*

MEMBERS OF COUNCIL WHOSE APPOINTMENT ENDED 31 JULY 2007:

Ms Jemma Percy, Professor William Richardson, Councillor
Mrs Christine Channon, Professor Ruth Hawker, Council
Roy Slack.



RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY

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

Working through its Strategy, Performance and Resources and Audit Committees 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 on Accounting in Higher Education Institutions (SORP) and other relevant accounting and financial reporting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, through its designated office holder (the Vice-Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured through its senior officers and the Strategy, Performance and Resources and Audit Committees 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;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation; and

- the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

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

- ensure that funds from the Higher Education Funding Council for England and the Training and Development Agency for Schools are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and the funding agreement with the Agency and any other conditions which the Funding Council and the Agency 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.

INTERNAL FINANCIAL CONTROL

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and administrative departments;
- experienced and suitably qualified staff who take responsibility for the finance and control functions within the University and its subsidiary companies;

RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY

- a comprehensive medium and short term planning process supplemented by detailed annual income, expenditure and capital budgets and cash flow forecasts;
- regular reviews of academic performance and 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 a comprehensive Financial Handbook, detailing financial controls and procedures, which is updated on an annual basis;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Council and whose head provides Council with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control; and
- a formalised treasury management policy.

Council's review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee (which oversees the work of the internal audit service), the individual members of staff within the University who have responsibility for the development and maintenance of the financial control framework and comments made by the External Auditors in the management letter and in other reports. The University currently contracts out the internal audit function to Mazars LLP.

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

The Corporate Governance Statement on pages 5 to 7 and Responsibilities of the Council of the University on pages 10 to 11 were approved by Council on 17 December 2007 and signed on its behalf by:

G. A. Sturtridge – Treasurer

Professor S. Smith – Vice-Chancellor

J. C. Lindley – Director of Finance and Corporate Services

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF THE UNIVERSITY OF EXETER

We have audited the University's financial statements for the year ended 31 July 2007 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 1 to 37. The financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Council of the University of Exeter, as a body, in accordance with United Kingdom law and with the University's Charter of Incorporation. Our audit work has been undertaken so that we might state to the Council of the University of Exeter those matters we are required to state to them in an auditors' 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 of the University of Exeter as a body for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As described in the statement Responsibilities of the Council of the University, the University's Council is responsible for ensuring that financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with United Kingdom law and with the University's Charter of Incorporation and whether the

information given in the Treasurers Report and the statement of Responsibilities of the Council of the University is consistent with the financial statements.

We also report to you if, in our opinion, the University has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding members' remuneration and other transactions is not disclosed.

We read other information contained in the Treasurers Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF THE UNIVERSITY OF EXETER

OPINION

In our opinion:

- i) the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2007, and of the University's and group income and expenditure, and group cash flows for the year then ended, and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the 'Statement of Recommended Practice on Accounting in Further and Higher Education Institutions', and with the University's Charter of Incorporation;
- ii) income from the Higher Education Funding Council for England and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- iii) income has been applied in accordance with the University's Statutes, and where appropriate, with the Financial Memorandum dated 1 August 2006 of the Higher Education Funding Council for England.
- iv) the information given in the Treasurer's Report is consistent with the financial statements.

ERNST AND YOUNG LLP
REGISTERED AUDITOR

Broadwalk House
Southernhay West
Exeter EX1 1LF

December 2007

UNIVERSITY OF EXETER

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. 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 (2003) and applicable accounting standards. They conform to guidance published by the Higher Education Funding Council for England. The financial statements have been prepared on a going concern basis.

2. BASIS OF CONSOLIDATION

The results of the University's subsidiary undertakings have been consolidated in the financial statements and details of interests in these subsidiary undertakings are provided in note 12.

The University's share of the results in its joint ventures has been consolidated in the financial statements and details of these are provided in note 13.

The activities of the University of Exeter Student's Guild and the accounts of The Exeter University Foundation, a registered charity, have not been consolidated on the grounds that the University does not operate dominant influence over those activities. Details of these are provided in note 32.

3. 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 direct to the income and expenditure account.

Tuition fees represent all fees chargeable to students or their sponsors received and receivable attributable to the current

accounting period. The costs of any fees waived by the University are included as expenditure and reported in note 7.

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

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs. Any excess of income over expenditure in any one year is carried forward. The University holds no general endowment asset investments.

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 the HEFCE and Training and Development Agency for Schools (TDA) and subsequent disbursement to students are excluded from the income and expenditure account and are shown separately in notes 33 to 36.

4. 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.

UNIVERSITY OF EXETER

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

5. 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. The University is unable to separately 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 (charges)/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 30.

6. REPAIRS AND MAINTENANCE

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.

7. TAXATION

No provision for taxation, deferred or otherwise, has been made in the University's accounts as it is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

Except for its trading activities and certain consultancy, research activities and aspects of administration and central services, the University cannot recover Value Added Tax (VAT) suffered on its expenditure and this cost is included under the various related expenditure heads.

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

UNIVERSITY OF EXETER

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

8. LAND AND BUILDINGS

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 depreciated replacement cost or, if appropriate and in certain circumstances, open market value. Messrs. King Sturge, Chartered Surveyors, performed the valuation as at 31 July 2006.

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated over their expected remaining useful lives, subject to a maximum of 50 years, on a straight-line basis. Buildings in the course of construction are not depreciated.

Leasehold buildings are depreciated over their expected useful lives, subject to a maximum of 50 years, on a straight-line basis.

Improvements, adaptations and remodelling of buildings are capitalised at cost and are depreciated over their expected useful life, subject to a maximum of 50 years, on a straight-line basis. Finance costs directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

Where expenditure incurred on the development of new premises includes the cost of equipping the premises with furniture and equipment, etc., irrespective of the cost of individual items, this expenditure is capitalised together with the construction cost.

Where buildings are acquired or improved with the aid of specific grants, they are capitalised and depreciated in accordance with the policy above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the buildings.

All buildings are regularly reviewed for indications of impairment. Where there is impairment the difference between the assessed recoverable value of the building and its written down value is charged to the income and expenditure account.

9. MAJOR REFURBISHMENTS

Major replacement and refurbishment work is capitalised if the work creates or enhances an existing asset, or improves or substantially overhauls an asset. The costs are depreciated over the appropriate period as described elsewhere within the statement of principal accounting policies.

10. EQUIPMENT

Equipment, including computers and software, that individually have a cost equal to or greater than £25,000 is capitalised.

Equipment, including computers and software, that collectively have a cost equal to or greater than £25,000 where the assets are functionally interdependent or are purchased together but are intended to be used for a common purpose and are under common management control are capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

Computer equipment	4 years
Equipment acquired for specific research projects	project life (generally 3 years)
Other equipment	8 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment (the period of the grant in respect of specific research projects).

UNIVERSITY OF EXETER

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

11. LEASED ASSETS

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the income and expenditure on the same basis as above. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income and expenditure account over the period of the lease.

All other leases are operating leases and the annual rentals payable are charged to the Income and Expenditure Account.

12. DONATED ASSETS

Assets donated on or after 1 August 1994 are capitalised in accordance with the criteria set out in accounting policy notes 8 and 10 above and note 13 below. They are brought into the balance sheet at open market value for existing use or depreciated replacement cost on the date of receipt. Land and buildings donated prior to 1 August 1994 were capitalised at 31 July 1996 at valuation. It is not considered practical to identify and attribute a value to other items.

13. 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.

Endowment asset investments are carried at market value. Such investments held at the previous year-end, and carried at market value at that date, may be sold during the year.

This crystallises the value and any difference between the opening market value and the sale proceeds represents a revaluation movement. Consequently the financial statements do not distinguish between the valuation adjustment relating to sales and those relating to continuing holdings as they are together treated as changes in the value of the investment portfolio.

Current asset investments are included at the lower of cost and net realisable value.

14. STOCK

Stock is shown at the lower of cost and net realisable value for building maintenance, bars, residences and catering stores, and the University Shop. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Stocks of consumables held for administration purposes and in academic schools are not valued.

15. CASH FLOWS AND LIQUID RESOURCES

Cash flows comprise increases and decreases in 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.

16. PROVISIONS

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, when it is probable that a transfer of economic benefit will occur, and this can be reliably estimated.

UNIVERSITY OF EXETER
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
— for the year ended 31 July 2007

	Note	Year Ended 31 July 2007 £'000	Year Ended 31 July 2006 £'000
INCOME			
Funding body grants	1	57,898	52,673
Tuition fees and education contracts	2	35,179	29,712
Research grants and contracts	3	19,520	16,494
Other income (including share of joint ventures)	4	40,537	39,554
Endowment and investment income	5	2,549	1,899
Other financial income	30	170	—
Total income		155,853	140,332
Less: Share of income from joint ventures	13	(3,441)	(2,730)
Net Income		152,412	137,602
EXPENDITURE			
Staff costs	6	90,082	79,066
Other operating expenses	7	50,419	45,034
Depreciation	7	10,054	7,535
Interest payable	8	4,944	4,399
Other financial expenditure	30	—	100
Total expenditure		155,499	136,134
Operating (deficit)/surplus		(3,087)	1,468
Share of operating loss in joint ventures	13	(817)	(318)
Total operating (deficit)/surplus		(3,904)	1,150
Exceptional items			
Surplus on disposal of land and buildings	9	3,188	313
Impairment of land and buildings	9	—	(2,664)
Deficit for the year	10	(716)	(1,201)
The income and expenditure account is in respect of continuing activities.			
NOTE OF HISTORICAL COST RESULTS			
Deficit for the year		(716)	(1,201)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	22	4,295	2,146
Release of previous years property revaluation surpluses on current year disposals and impairments	22	2,079	2,767
Historical cost surplus for the year		5,658	3,712

UNIVERSITY OF EXETER
STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS
AND LOSSES — for the year ended 31 July 2007

	Note	Year Ended 31 July 2007 £'000	Year Ended 31 July 2006 £'000
Deficit on continuing operations		(716)	(1,201)
Appreciation of endowment asset investments	21	2,450	3,091
New endowments	21	3	6
Endowment income (dispersed)/retained for the year	21	(101)	16
Endowment capital (dispersed) in the year	21	—	(19)
Transfer of reserves to endowments		—	(4)
Revaluation surplus on tangible fixed assets		—	184,142
Revaluation surplus on tangible fixed assets held in joint venture	22	354	2,683
Revaluation surplus on fixed asset investments	22	263	206
Actuarial gain/(loss) on pension scheme	30	12,120	(3,200)
Actuarial profit on pension scheme held in joint venture		59	1
Prior year adjustment (FRS17) in joint venture		—	(37)
		<hr/>	<hr/>
Total recognised gains in the year		14,432	185,684
		<hr/>	<hr/>
Reconciliation			
		Year Ended 31 July 2007 £'000	Year Ended 31 July 2006 £'000
Opening reserves and endowments		308,096	122,412
Total recognised gains for the year		14,432	185,684
		<hr/>	<hr/>
Closing reserves and endowments		322,528	308,096
		<hr/>	<hr/>

UNIVERSITY OF EXETER
BALANCE SHEETS AS AT 31 JULY 2007

	Note	Group		University	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Fixed assets					
Tangible assets	11	442,474	424,327	442,536	424,387
Investments	12	5,815	5,535	8,025	7,595
Investment assets – joint ventures	13				
Share of gross assets		21,767	15,151	—	—
Share of gross liabilities		(19,463)	(12,746)	—	—
		<u>450,593</u>	<u>432,267</u>	<u>450,561</u>	<u>431,982</u>
Endowment asset investments	14	<u>18,997</u>	<u>16,645</u>	<u>18,997</u>	<u>16,645</u>
Current assets					
Stock		623	634	622	633
Debtors	15	22,525	17,828	22,618	17,826
Investments		8,050	—	8,050	—
Restricted cash at bank	16	8,688	10,237	8,688	10,237
Cash at bank and in hand		20,391	22,741	20,196	22,458
		<u>60,277</u>	<u>51,440</u>	<u>60,174</u>	<u>51,154</u>
Creditors: amounts falling due within one year	17	<u>(40,920)</u>	<u>(35,501)</u>	<u>(40,729)</u>	<u>(35,283)</u>
Net current assets		<u>19,357</u>	<u>15,939</u>	<u>19,445</u>	<u>15,871</u>
Total assets less current liabilities		<u>488,947</u>	<u>464,851</u>	<u>489,003</u>	<u>464,498</u>
Creditors: amounts falling due after more than one year	18	<u>(77,871)</u>	<u>(76,796)</u>	<u>(79,826)</u>	<u>(78,750)</u>
Net assets excluding pension liability		<u>411,076</u>	<u>388,055</u>	<u>409,177</u>	<u>385,748</u>
Pension liability	30	<u>(2,990)</u>	<u>(15,640)</u>	<u>(2,990)</u>	<u>(15,640)</u>
		<u>408,086</u>	<u>372,415</u>	<u>406,187</u>	<u>370,108</u>
Deferred capital grants	20	85,558	64,319	85,558	64,319
Specific endowments	21	18,997	16,645	18,997	16,645
Reserves					
Income and expenditure reserve (excl. Pension reserve)		36,889	31,702	38,217	32,279
Pension Reserve		(2,990)	(15,640)	(2,990)	(15,640)
Income and expenditure reserve (incl. Pension reserve)	23	33,899	16,062	35,227	16,639
Revaluation reserve	22	269,632	275,389	266,405	272,505
Total reserves		<u>303,531</u>	<u>291,451</u>	<u>301,632</u>	<u>289,144</u>
TOTAL		<u>408,086</u>	<u>372,415</u>	<u>406,187</u>	<u>370,108</u>

The financial statements on pages 14 to 59 were approved by Council on 17 December 2007 and signed on its behalf by:

G A Sturtridge – Treasurer

Professor S Smith – Vice-Chancellor

J C Lindley – Director of Finance
and Corporate Services

UNIVERSITY OF EXETER
CONSOLIDATED CASH FLOW STATEMENT
— for the year ended 31 July 2007

	Note	Year Ended 31 July 2007 £'000	Year Ended 31 July 2006 £'000
Cash inflow from operating activities	24	4,808	13,349
Returns on investments and servicing of finance	25	(1,923)	(2,312)
Taxation		—	—
Capital expenditure and financial investment	26	2,643	(16,620)
Management of liquid resources	27	(8,050)	—
Financing	28	241	14,032
(Decrease) / Increase in cash in the year	29	<u>(2,281)</u>	<u>8,449</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		2007 £'000	2006 £'000
(Decrease) / Increase in cash in the year	29	(2,281)	8,449
Cash (inflow) from new secured loans	28	(1,832)	(15,511)
Cash outflow from repayment of loans	28	1,591	1,479
Other movements from creditors due in more than one year	29	(1,238)	(62)
Cash outflow from liquid resources	27	8,050	—
Movement in net debt in the year		<u>4,290</u>	<u>(5,645)</u>
Net Debt at 1 August		<u>(55,291)</u>	<u>(49,646)</u>
Net Debt at 31 July	29	<u>(51,001)</u>	<u>(55,291)</u>

NOTES TO THE ACCOUNTS

NOTE 1 FUNDING BODY GRANTS

	Year Ended 31 July 2007			Year Ended
	HEFCE	TDA	TOTAL	31 July
	£'000	£'000	£'000	2006
Recurrent teaching grant	35,373	3,068	38,441	33,931
Recurrent research grant	13,554	—	13,554	12,880
Specific grants	2,246	1,686	3,932	4,621
Deferred capital grants released in year (note 20)	1,971	—	1,971	1,241
	<u>53,144</u>	<u>4,754</u>	<u>57,898</u>	<u>52,673</u>

NOTE 2 TUITION FEES AND EDUCATION CONTRACTS

	Year Ended	Year Ended
	31 July 2007	31 July 2006
	£'000	£'000
Home/EU undergraduates: full-time	15,407	9,813
Home/EU undergraduates: part-time	293	329
Home/EU postgraduates: full-time	5,717	4,578
Home/EU postgraduates: part-time	1,806	2,158
International students	10,452	10,894
Non-credit bearing courses and other tuition fees	1,296	1,767
Research Training Support Grants	208	173
	<u>35,179</u>	<u>29,712</u>

NOTE 3 RESEARCH GRANTS AND CONTRACTS

	Year Ended	Year Ended
	31 July 2007	31 July 2006
	£'000	£'000
Research councils	8,657	6,561
UK based charities	2,473	2,734
UK central government, local authorities, health & hospital authorities	4,081	3,759
UK industry, commerce and public corporations	1,110	767
European Union government and other bodies	2,257	1,950
Other grants and contracts	942	723
	<u>19,520</u>	<u>16,494</u>

Included above are deferred capital grants released in the year of £361,000 (2006: £222,000).

NOTES TO THE ACCOUNTS

NOTE 4 OTHER INCOME

	Year Ended 31 July 2007	Year Ended 31 July 2006
	£'000	£'000
Residences, catering and conferences	20,804	20,947
Other services rendered		
Validation fees	133	128
Teaching companies	580	432
UK central government, local authorities, health and hospital authorities	979	1,044
Others	1,999	2,246
Income from health and hospital authorities	2,272	2,382
Other operating income		
Other external grants	1,504	748
Conferences, summer schools, fair and degree day income	812	582
Donations and other fundraising	1,036	637
Erasmus	502	530
Sports and swimming pools	697	664
Externally recharged staff time	434	498
Supplies and services to external customers	363	415
Rental income and room hire	432	267
Peninsula College of Medicine and Dentistry	217	627
Tremough Campus Services	3,441	2,730
Release of deferred capital grants	946	1,073
Other income	3,386	3,604
	<u>40,537</u>	<u>39,554</u>

NOTE 5 ENDOWMENT AND INVESTMENT INCOME

	Year Ended 31 July 2007	Year Ended 31 July 2006
	£'000	£'000
Income from specific endowments	551	370
Income from short term investments	1,683	1,486
Income from fixed asset investments	49	43
Surplus on disposal of fixed asset investments	198	—
Other interest receivable	68	—
	<u>2,549</u>	<u>1,899</u>

NOTES TO THE ACCOUNTS

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 2007	Year Ended 31 July 2006
	Number	Number
Academic staff	539	620
Research staff	264	266
Teaching fellows (formerly tutors)	94	113
Occasional lecturers	25	28
Support staff	1,445	1,370
Casuals	142	148
Total	2,509	2,545

Staff costs for the above persons:

	Year Ended 31 July 2007	Year Ended 31 July 2006
	£'000	£'000
Salaries and wages	75,556	66,576
Social security costs	5,715	5,010
Pension costs (note 30)	8,811	7,480
	90,082	79,066

NOTES TO THE ACCOUNTS

NOTE 6 STAFF COSTS Contd.

	Year Ended	Year Ended
	31 July 2007	31 July 2006
	£'000	£'000
Emoluments of the Vice-Chancellor:		
Remuneration (including benefits in kind)	210	170
Pension contributions to USS	36	26
	246	196

The emoluments have been independently determined by the lay officers of the Council and reviewed according to performance.

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

	Year Ended	Year Ended
	31 July 2007	31 July 2006
£70,000 - £79,999	36	30
£80,000 - £89,999	17	8
£90,000 - £99,999	3	2
£100,000 - £109,999	1	-
£120,000 - £129,999	-	2
£140,000 - £149,999	1	-
£160,000 - £169,999	1	-
£170,000 - £179,999	-	1
£190,000 - £199,999	-	1
£200,000 - £209,999	1	-
£210,000 - £219,999	1	-

Included in the above are members of staff whose annual salary falls into one of the above bands but who joined the University part way through the year.

NOTES TO THE ACCOUNTS

NOTE 7 OTHER OPERATING EXPENSES

	Year Ended 31 July 2007	Year Ended 31 July 2006
	£'000	£'000
Residences, catering and conferences	8,043	8,637
Rents and rates	511	463
Heat, light, water and power	1,970	1,640
Repairs and general maintenance	3,763	3,163
Laboratory equipment and consumables	2,654	2,520
IT hardware, software and licences	2,444	2,115
Other equipment	1,086	855
Books and periodicals	2,185	1,947
Non-contract staff and external examiners	4,274	3,793
Administrative costs including postage and telephones	2,164	2,025
Insurances	515	411
Publicity, publications and student recruitment	1,261	1,261
Travel, accommodation, subsistence and hospitality	4,738	4,220
Fellowships, scholarships and prizes	4,566	3,154
Field courses and other student support	5,770	4,717
Legal, professional and consultancy fees	2,313	1,793
Auditor's remuneration	65	45
Auditor's remuneration in respect of non-audit services	10	20
Cornwall Combined Services	1,576	1,203
Other expenses	511	1,052
	<hr/>	<hr/>
	50,419	45,034
	<hr/>	<hr/>

Included within 'Repairs and general maintenance' is an exceptional charge of £872,000 (2006: £nil) relating to the demolition works of the old student residences at the Duryard site and clearance of the car park on Stocker Road, in preparation of the INTO University of Exeter LLP developments.

Included within 'Legal, professional and consultancy fees' is £55,000 (2006: £68,000) relating to internal audit fees.

NOTES TO THE ACCOUNTS

NOTE 7 OTHER OPERATING EXPENSES Contd.

ANALYSIS OF 2006/07 EXPENDITURE BY ACTIVITY

	Staff Costs £'000	Other Operating Expenses £'000	Depre- ciation £'000	Interest Payable £'000	Total 2006/07 £'000	Total 2005/06 £'000
Academic schools	47,635	16,593	384	—	64,612	56,207
Academic services	6,447	3,887	68	—	10,402	9,004
Administration						
Central administration	7,264	3,558	43	63	10,928	9,820
General education expenses	2,055	5,528	8	—	7,591	6,042
Staff and student facilities	2,509	1,912	10	—	4,431	3,731
	<u>11,828</u>	<u>10,998</u>	<u>61</u>	<u>63</u>	<u>22,950</u>	<u>19,593</u>
Premises						
Rent and rates	—	509	—	—	509	461
Light, heat, power and water	—	1,970	—	—	1,970	1,640
Repairs and maintenance	2,860	3,906	3	—	6,769	5,839
Portering and security	2,501	413	—	—	2,914	2,803
Other	—	812	6,239	1,362	8,413	5,214
	<u>5,361</u>	<u>7,610</u>	<u>6,242</u>	<u>1,362</u>	<u>20,575</u>	<u>15,957</u>
Other Expenditure						
Residences, catering and conferences	6,678	7,834	2,937	3,519	20,968	20,598
Research grants and contracts	10,937	2,716	362	—	14,015	13,045
Other expenses	1,196	781	—	—	1,977	1,630
	<u>18,811</u>	<u>11,331</u>	<u>3,299</u>	<u>3,519</u>	<u>36,960</u>	<u>35,273</u>
Total 2006/07	<u>90,082</u>	<u>50,419</u>	<u>10,054</u>	<u>4,944</u>	<u>155,499</u>	<u>136,034</u>
Total 2005/06	79,066	45,034	7,535	4,399	136,034	

In addition, there was a £170,000 pension credit (2006: £100,000 pension cost) that was charged to the Income and Expenditure Account (note 30).

NOTES TO THE ACCOUNTS

NOTE 7 OTHER OPERATING EXPENSES Contd.

The depreciation charge has been funded by:

	Year Ended 31 July 2007	Year Ended 31 July 2006
	£'000	£'000
Deferred capital grants released – buildings (note 20)	2,270	2,066
Deferred capital grants released – equipment (note 20)	1,008	470
Revaluation reserve released (note 22)	4,295	4,695
General income	2,481	2,853
	<hr/>	<hr/>
	10,054	10,084
Impairment included within exceptional items (note 9B)	—	(2,549)
	<hr/>	<hr/>
	10,054	7,535
	<hr/>	<hr/>

NOTE 8 INTEREST PAYABLE

	Year Ended 31 July 2007	Year Ended 31 July 2006
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, by instalments	1	201
Repayable wholly or partly in more than 5 years	4,943	4,198
	<hr/>	<hr/>
	4,944	4,399
	<hr/>	<hr/>

In addition, interest payable in the year amounting to £21,000 (2006: £230,000) was capitalised. This interest relates to borrowings in respect of the development of new student residences whilst under construction.

NOTES TO THE ACCOUNTS

NOTE 9 EXCEPTIONAL ITEMS

	Year Ended	Year Ended
	31 July 2007	31 July 2006
	£'000	£'000
(Surplus) on disposal of land and buildings (note 9A)	(3,188)	(313)
Impairment of land and buildings (note 9B)	—	2,664
	(3,188)	2,351
	(3,188)	2,351

NOTE 9A EXCEPTIONAL ITEM – SURPLUS ON DISPOSALS OF LAND AND BUILDINGS

During the year various off-campus sites were sold (Crossmead Conference Centre, Bonhay House, Belfield House and a strip of land at the Gras Lawn site). The proceeds from these sales were reinvested into the University's strategic aims.

During the previous year two small off-campus residences were sold (Mallison House and End Cottage). The proceeds from these sales were also reinvested into the University's strategic aims.

NOTE 9B EXCEPTIONAL ITEM – IMPAIRMENT OF LAND AND BUILDINGS

During the previous year the construction of Birks Grange, the new student residences, was completed. As a result certain buildings at Duryard, which were also used as student residences, have now become obsolete. These buildings were impaired to a nil value as they are currently being demolished.

NOTE 10 DEFICIT ON CONTINUING OPERATIONS FOR THE YEAR

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

	Year Ended	Year Ended
	31 July 2007	31 July 2006
	£'000	£'000
University's surplus/(deficit) for the year	105	(802)
Deficit generated by subsidiary undertakings and joint ventures	(821)	(399)
	(716)	(1,201)
	(716)	(1,201)

NOTES TO THE ACCOUNTS

NOTE 11 TANGIBLE FIXED ASSETS

Group	Land and Buildings		Equipment	Total
	Freehold £'000	Long Leasehold £'000		
Cost or Valuation				
At 1 August 2006	393,610	29,907	8,872	432,389
Additions	18,812	6,937	5,860	31,609
Disposals (note 9A)	(3,668)	—	(132)	(3,800)
At 31 July 2007	408,754	36,844	14,600	460,198
Depreciation				
At 1 August 2006	283	863	6,916	8,062
Charge for the year (note 7)	7,688	1,015	1,351	10,054
Disposals (note 9A)	(260)	—	(132)	(392)
At 31 July 2007	7,711	1,878	8,135	17,724
Net Book Value				
At 31 July 2007	401,043	34,966	6,465	442,474
At 31 July 2006	393,327	29,044	1,956	424,327
Financed by capital grant	50,244	30,640	4,674	85,558
Other	350,799	4,326	1,791	356,916
At 31 July 2007	401,043	34,966	6,465	442,474

- a) The total cost of land and buildings is mainly attributable to the development or purchase of property for teaching, research or accommodation purposes.
- b) Freehold and leasehold land and buildings with a net book value of £277m (2006: £270m) have been financed, in whole or in part, by exchequer funds. Should these buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the conditions given in its Financial Memorandum with the Higher Education Funding Council for England.

NOTES TO THE ACCOUNTS

NOTE 11 TANGIBLE FIXED ASSETS Contd.

- c) At 31 July 2007 freehold and leasehold land and buildings included £14.4m (2006: £16.6m) in respect of buildings under construction.
- d) Included in the cost of freehold land and buildings is £1.1m (2006: £1.0m) bank loan interest payable that has been capitalised. 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.

University	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
Cost or Valuation	£'000	£'000	£'000	£'000
At 1 August 2006	393,715	29,859	8,877	432,451
Additions	18,812	6,937	5,860	31,609
Disposals (note 9A)	(3,668)	—	(132)	(3,800)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2007	408,859	36,796	14,605	460,260
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2006	283	859	6,922	8,064
Charge for the year	7,688	1,014	1,350	10,052
Disposals (note 9A)	(260)	—	(132)	(392)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2007	7,711	1,873	8,140	17,724
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 July 2007	401,148	34,923	6,465	442,536
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2006	393,432	29,000	1,955	424,387
	<hr/>	<hr/>	<hr/>	<hr/>

As mentioned in the Statement of Principal Accounting Policies land and buildings are re-valued. If this revaluation had not taken place the historical cost net book values are as follows: -

	Group	University
	£'000	£'000
Freehold land and buildings	141,958	142,064
Long leasehold land and buildings	32,297	32,253

NOTES TO THE ACCOUNTS

NOTE 12 INVESTMENTS

	Group		University	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Fine art collection	1,279	1,263	1,279	1,263
Library special collection	2,354	2,354	2,354	2,354
Quoted stock	2,133	1,870	2,133	1,870
Subsidiary undertakings	—	—	2,210	2,060
Other investments	49	48	49	48
	5,815	5,535	8,025	7,595

The University's fine art collection of paintings, drawings, sculptures, furniture, silverware and ceramics were professionally valued during the year ended 31 July 2006 by Messrs. Bearn's, Fine Art Auctioneers and Valuers, on an open market value basis.

The University's library special collections were also professionally valued during the year ended 31 July 2006 by Messrs. Bearn's, Fine Art Auctioneers and Valuers, on an open market value basis.

The investment in subsidiary undertakings comprises the following:

Name	Shareholding	Principal business activity
Dartvale Limited	2,000,002 Ordinary £1	Property development
Exeter Enterprises Limited	60,110 Ordinary £1	Consultancy activities
Innovation Exeter Limited	1 Ordinary £1	Dormant company
Exeter ISC Limited	100 Ordinary £1 and 149,900 Redeemable preference £1	Holding company

The University wholly owns the above holdings. All companies are registered in England and Wales.

Other investments comprise the following:

Name	Holding
CVCP Properties Plc	37,355 Ordinary £1 shares
Adsfab Limited	1,000 Ordinary "C" £1 shares
Auxetix Limited	100 Ordinary "B" £0.10 shares
Exeter Antioxidant Therapeutics Limited	200 Ordinary £0.10 shares
Exeter Nanobacteria Limited	200 Ordinary £0.10 shares
Medilary Limited	200 Ordinary £0.10 shares
Optomo Plc	249,564 Ordinary £0.01 shares
Simpleware Limited	100 Ordinary £1 shares
Skipworth Engelhardt Asset Management Strategists Limited	80 Ordinary "A" £1 and 405 Deferred £1 shares
EMC Network (SW) Limited	7,000 Ordinary £1 shares
Curzon 1011 Limited	1 Ordinary £1 shares

NOTE 13 INVESTMENT IN JOINT VENTURES

Peninsula College of Medicine and Dentistry

On 1 September 2006 the Peninsula Medical School (PMS) changed its name to the Peninsula College of Medicine and Dentistry (PCMD) to encompass its revised activities. PCMD is not a legal entity in its own right – it is a joint arrangement entered into by the University of Exeter and the University of Plymouth. A 50% share of the income, expenditure and balance sheet items of the "HE Community Chest" of PCMD is included within the income and expenditure account and balance sheet of each of the Universities.

See note 37 for a detailed analysis of PCMD.

Tremough Campus Services

The University holds a 50% share of Tremough Campus Services (TCS), a company limited by guarantee, having no share capital and for which exempt charitable status has been obtained. TCS is a joint venture company owned equally by the University and University College Falmouth (UCF).

TCS has been established to operate student and commercial services for the Combined Universities in Cornwall campus at Tremough in Penryn under a combined services agreement and commenced trading in August 2004.

The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidated income and expenditure account. TCS has entered into a gift aid arrangement to distribute surpluses arising on its activities equally to the University and UCF. The University has made an adjustment to the TCS financial statements in order to include the revaluation of the student residences so it is consistent with the University's policy of revaluation.

Tremough Development Vehicle Limited (TDV) is a wholly owned subsidiary of TCS. It has been established to provide the construction of the main campus for the Combined Universities in Cornwall project based at Tremough in Penryn.

Both TCS and TDV have financial years that end on 31 July.

INTO University of Exeter LLP

On 30 October 2006 the University formed the wholly owned subsidiary Exeter ISC Limited. Exeter ISC Limited 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.

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.

The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidated income and expenditure account. Exeter ISC Limited has entered into a gift aid arrangement to distribute surpluses arising on its activities to the University.

NOTES TO THE ACCOUNTS

NOTE 13 INVESTMENT IN JOINT VENTURES Contd.

Both Exeter ISC Limited and INTO University of Exeter LLP have financial years that end on 31 July.

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

	2007			2006		
	TCS £'000	INTO £'000	Total £'000	TCS £'000	INTO £'000	Total £'000
Income	3,060	381	3,441	2,730	—	2,730
Deficit before and after tax	(417)	(400)	(817)	(318)	—	(318)
Fixed assets	18,989	47	19,036	13,614	—	13,614
Current assets	1,801	930	2,731	1,537	—	1,537
	20,790	977	21,767	15,151	—	15,151
Liabilities: due within one year	(2,258)	(1,072)	(3,330)	(1,587)	—	(1,587)
Liabilities: due after more than one year or more	(16,133)	—	(16,133)	(11,159)	—	(11,159)
	(18,391)	(1,072)	(19,463)	(12,746)	—	(12,746)
Share of net assets	2,399	(95)	2,304	2,405	—	2,405

NOTE 14 ENDOWMENT ASSET INVESTMENTS – Group and University

	2007 £'000	2006 £'000
Balance brought forward	16,645	13,551
Additions – new funds received	3	6
Additions – interest and dividends re-invested	437	386
Disposals – capital withdrawn	(131)	(31)
Disposals – income withdrawn	(407)	(358)
Appreciation on disposals/revaluation	2,450	3,091
	18,997	16,645
The investments comprise:		
Fixed interest stocks	1,587	896
Equities	15,850	14,063
Bank balances	1,560	1,686
	18,997	16,645

NOTES TO THE ACCOUNTS

NOTE 15 DEBTORS

	Group		University	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Debtors	11,824	11,457	11,770	11,392
Amounts owed by group undertakings:				
Subsidiary companies	—	—	159	68
Prepayments and accrued income	10,701	6,371	10,689	6,366
	<u>22,525</u>	<u>17,828</u>	<u>22,618</u>	<u>17,826</u>

NOTE 16 RESTRICTED CASH AT BANK

In the year ended 31 July 2004 a £20m loan facility was arranged with The Royal Bank of Scotland (RBS) as funding for the 2003-06 capital programme. During the year ended 31 July 2005 the composition of this capital programme fundamentally changed.

The original loan agreement stated that a predetermined amount must be drawn each quarter based on the programme's original profile of capital expenditure. The change in composition meant that the funds due to be drawn each quarter were in excess of the expenditure incurred. RBS set up a deposit account to hold the excess funds until they are required for the capital purpose for which they were originally intended.

This deposit account is in the name of the University of Exeter but is controlled by RBS. The balance can only be utilised on receipt by RBS of proof of capital expenditure by the University. The deposit account is not considered to be liquid funds in the University's books. The interest rate payable on the loan facility is 5.82% per annum. The interest rate receivable on the deposit account is 0.05% above the Bank of England base rate.

NOTE 17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 19)	1,266	744	1,266	744
Payments received in advance	1,456	1,054	1,293	901
Trade creditors	23,960	19,494	23,944	19,451
Amounts owed to group undertakings:				
Subsidiary companies	—	—	—	—
Taxation and social security	1,943	2,169	1,940	2,159
Accruals and deferred income	12,295	12,040	12,286	12,028
	<u>40,920</u>	<u>35,501</u>	<u>40,729</u>	<u>35,283</u>

Trade creditors include an amount of £298,000 (2006: £485,000) due in respect of pension liabilities following early retirements.

NOTES TO THE ACCOUNTS

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

	Group		University	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank loans (note 19)	77,131	75,762	77,131	75,762
Inherited Liability – Cornwall County Council	51	58	51	58
Amounts owed to group undertakings:				
Subsidiary companies	—	—	1,955	1,954
Other long term creditors	689	976	689	976
	<u>77,871</u>	<u>76,796</u>	<u>79,826</u>	<u>78,750</u>

Included within bank loans is interest of £3,937,000 (2006: £2,699,000) that has been added to the loan balances whilst the University benefits from a repayment holiday.

Other long-term creditors include an amount of £689,000 (2006: £976,000) due in respect of pension liabilities following early retirements.

NOTE 19 BORROWINGS – Group and University

a) Bank loans and overdrafts

	2007 £'000	2006 £'000
Bank loans and overdrafts are repayable as follows:		
Bank overdrafts	183	252
Bank loans:		
In one year or less	1,083	492
In one to two years	1,197	1,097
In two to five years	4,303	3,983
In five years or more	71,631	70,682
	<u>78,397</u>	<u>76,506</u>

NOTES TO THE ACCOUNTS

NOTE 19 BORROWINGS – Group and University Contd.

i) Included within the total balance above is the following: -

	Facility £'000	Interest Rate %	Repayment	Term	2007 £'000	2006 £'000
Barclays Bank Plc	29,657	5.88	Quarterly	27 years (to 2032)	29,505	29,030
Royal Bank of Scotland Plc	22,000	7.66	Quarterly	25 years (to 2029)	20,712	21,067
Royal Bank of Scotland Plc	22,306	5.82	Quarterly	28 years (to 2032)	22,306	20,067
Royal Bank of Scotland Plc	5,705	LIBOR plus mark up	Annually	25 years (to 2016)	3,037	3,305
Royal Bank of Scotland Plc	1,300	LIBOR plus mark up	Quarterly	25 years (to 2023)	819	871
Royal Bank of Scotland Plc	1,291	LIBOR plus mark up	Annually	25 years (to 2022)	775	826
Barclays Bank Plc	1,250	LIBOR plus mark up	Quarterly	25 years (to 2025)	1,060	1,088
					<u>78,214</u>	<u>76,254</u>
Repayable within one year					(1,083)	(492)
					<u>77,131</u>	<u>75,762</u>

All bank loans and overdrafts are secured over University freehold land and buildings.

The Barclays Bank Plc facility of £29,657,000 includes a loan of £28,000,000 plus interest that was capitalised whilst the University benefited from an initial two-year repayment holiday.

The Royal Bank of Scotland Plc facility of £22,306,000 includes a loan of £20,000,000 plus interest that was capitalised whilst the University benefited from an initial three-year repayment holiday.

b) Finance Leases

The University is not committed to any finance lease obligations.

NOTES TO THE ACCOUNTS

NOTE 20 DEFERRED CAPITAL GRANTS – Group and University

	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2006			
Land and buildings	34,721	28,474	63,195
Equipment	764	360	1,124
	<hr/>	<hr/>	<hr/>
	35,485	28,834	64,319
Grants receivable			
Land and buildings	11,460	8,499	19,959
Equipment	3,106	1,452	4,558
	<hr/>	<hr/>	<hr/>
	14,566	9,951	24,517
Released to Income and Expenditure Account			
Land and buildings	1,367	903	2,270
Equipment	604	404	1,008
	<hr/>	<hr/>	<hr/>
	1,971	1,307	3,278
At 31 July 2007			
Land and buildings	44,814	36,070	80,884
Equipment	3,266	1,408	4,674
	<hr/>	<hr/>	<hr/>
	48,080	37,478	85,558

NOTE 21 ENDOWMENTS – Group and University

Specific Endowments

	2007 £'000	2006 £'000
At 1 August	16,645	13,551
Additions	3	6
Disposals	—	(19)
Appreciation of endowment asset investments	2,450	3,091
Income for the year	437	386
Transferred to income and expenditure account	(538)	(370)
	<hr/>	<hr/>
At 31 July	18,997	16,645
Representing:		
Trustee Securities Pool	3,754	3,247
Institute for Arab and Islamic Studies	13,920	12,106
Other	1,323	1,292
	<hr/>	<hr/>
	18,997	16,645

Additions are new endowments received and income for the year includes investment interest and dividends received on the portfolios.

NOTES TO THE ACCOUNTS

NOTE 22 REVALUATION RESERVE

Group

	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
At 1 August 2006	270,833	4,556	275,389
Revaluation in the year			
Land and buildings in joint venture	354	—	354
Fixed assets investments - Quoted shares	—	263	263
	354	263	617
Transfer from revaluation to general reserve:			
Depreciation on re-valued assets	(4,295)	—	(4,295)
Release of previous years property revaluation surpluses on current year disposals	(2,079)	—	(2,079)
	(6,374)	—	(6,374)
At 31 July 2007	264,813	4,819	269,632

University

	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
At 1 August 2006	267,949	4,556	272,505
Revaluation in the year			
Fixed assets investments - Quoted shares	—	263	263
Transfer from revaluation to general reserve:			
Depreciation on re-valued assets	(4,284)	—	(4,284)
Release of previous years property revaluation surpluses on current year disposals	(2,079)	—	(2,079)
	(6,363)	—	(6,363)
At 31 July 2007	261,586	4,819	266,405

NOTE 23 INCOME AND EXPENDITURE RESERVE

	Group		University	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Balance at 1 August	16,062	15,590	16,639	15,745
(Deficit)/Surplus for the year	(716)	(1,201)	105	(802)
Transfers from revaluation reserve	6,374	4,913	6,363	4,901
Other movements	12,179	(3,240)	12,120	(3,205)
Balance at 31 July	33,899	16,062	35,227	16,639

NOTES TO THE ACCOUNTS

NOTE 23 INCOME AND EXPENDITURE RESERVE Contd.

Represented by:

Consolidated

	Balance at 1 August 2006 £'000	Result for the year £'000	Revaluation Reserve £'000	Other Movements £'000	Balance at 31 July 2007 £'000
Available Reserves					
Schools	3,579	152	—	(2,670)	1,061
Professional Services	1,844	71	—	(393)	1,522
Hospitality Services	1,300	108	—	13	1,421
Strategic Development Fund	764	391	—	1,046	2,201
Infrastructure Fund	4,604	(746)	—	3,477	7,335
Other reserves	959	423	—	(39)	1,343
General reserve	1,503	(1,645)	6,374	(1,836)	4,396
	<u>14,553</u>	<u>(1,246)</u>	<u>6,374</u>	<u>(402)</u>	<u>19,279</u>
Committed Reserves					
Capital reserve	22,562	—	—	2,885	25,447
Residences equalisation	(5,378)	—	—	(2,483)	(7,861)
Pension liability	(15,675)	530	—	12,179	(2,966)
	<u>1,509</u>	<u>530</u>	<u>—</u>	<u>12,581</u>	<u>14,620</u>
Total consolidated reserves	<u>16,062</u>	<u>(716)</u>	<u>6,374</u>	<u>12,179</u>	<u>33,899</u>

NOTES TO THE ACCOUNTS

NOTE 23 INCOME AND EXPENDITURE RESERVE Contd.

University

	Balance at 1 August 2006 £'000	Deficit for the year £'000	Revaluation Reserve £'000	Other Movements £'000	Balance at 31 July 2007 £'000
Available reserves					
Schools	3,579	152	—	(2,670)	1,061
Professional Services	1,844	71	—	(393)	1,522
Hospitality Services	1,300	108	—	13	1,421
Strategic Development Fund	764	391	—	1,046	2,201
Infrastructure Fund	4,604	(746)	—	3,477	7,335
Other reserves	959	423	—	(39)	1,343
General reserve	2,045	(824)	6,363	(1,836)	5,748
	<u>15,095</u>	<u>(425)</u>	<u>6,363</u>	<u>(402)</u>	<u>20,631</u>
Committed Reserves					
Capital reserve	22,562	—	—	2,885	25,447
Residences equalisation	(5,378)	—	—	(2,483)	(7,861)
Pension liability	(15,640)	530	—	12,120	(2,990)
	<u>1,544</u>	<u>530</u>	<u>—</u>	<u>12,522</u>	<u>14,596</u>
Total University reserves	<u>16,639</u>	<u>105</u>	<u>6,363</u>	<u>12,120</u>	<u>35,227</u>

NOTE 24 RECONCILIATION OF CONSOLIDATED OPERATING DEFICIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £'000	2006 £'000
Deficit on continuing operations	(716)	(1,201)
FRS 17 – Pension adjustment	(530)	(660)
Depreciation (note 7)	10,054	7,535
Impairment of land and buildings (note 9B)	—	2,664
Surplus on disposal of tangible fixed assets (note 9)	(3,188)	(313)
Deferred capital grants released (note 20)	(3,278)	(2,536)
Endowment and investment income (note 5)	(2,549)	(1,899)
Interest payable (note 8)	4,944	4,399
Decrease in stock	10	35
(Increase) in debtors	(3,594)	(2,008)
Increase in creditors	3,655	7,333
Net cash inflow from operating activities	<u>4,808</u>	<u>13,349</u>

NOTES TO THE ACCOUNTS

NOTE 25 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2007	2006
	£'000	£'000
Income from endowments	437	386
Income from short term investments	1,214	1,102
Other interest received	118	43
Interest paid	(3,692)	(3,843)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(1,923)	(2,312)
	<hr/>	<hr/>

NOTE 26 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2007	2006
	£'000	£'000
Purchase of tangible assets	(30,335)	(18,526)
Payments to acquire long term investments	512	318
Payments to acquire endowment asset investments	(440)	(43)
	<hr/>	<hr/>
Total fixed and endowment assets acquired	(30,263)	(18,251)
Receipts from the sale of tangible assets	6,596	608
Receipts from the sale of long term investments	198	—
Receipts from the sale of endowment assets	538	370
Cash withdrawn/(deposited) in restricted deposit account	2,022	(6,236)
Deferred capital grants received	23,565	6,899
Endowments received	(13)	(10)
	<hr/>	<hr/>
Net cash inflow/(outflow) from capital expenditure and financial investment	2,643	(16,620)
	<hr/>	<hr/>

NOTE 27 MANAGEMENT OF LIQUID RESOURCES

	2007	2006
	£'000	£'000
Cash withdrawn from/(placed in) short term deposits	(8,050)	—
	<hr/>	<hr/>
Net cash inflow/(outflow) from management of liquid resources	(8,050)	—
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

NOTE 28 FINANCING

	2007	2006
	£'000	£'000
Debt due beyond one year:		
New loans repayable by 2012	327	501
New secured loan repayable by 2032	505	5,010
New secured loan repayable by 2032	1,000	10,000
	1,832	15,511
Repayment of amounts borrowed	(1,591)	(1,479)
	241	14,032
Net cash inflow from financing		

NOTE 29 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August	Cash	Other	At 31 July
	2006	Flows	Changes	2007
	£'000	£'000	£'000	£'000
Cash in hand and at bank	22,741	(2,350)	—	20,391
Endowment asset investments	—	—	—	—
Overdrafts	(252)	69	—	(183)
	22,489	(2,281)	—	20,208
Debt due within 1 year	(984)	(404)	—	(1,388)
Debt due after 1 year	(76,796)	163	(1,238)	(77,871)
Current asset investments	—	8,050	—	8,050
	(55,291)	5,528	(1,238)	(51,001)

NOTES TO THE ACCOUNTS

NOTE 30 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 (final salary) schemes, contracted out of the State Second Pension. The assets of the schemes are held in separate trustee-administered funds.

The University also makes contributions to the National Health Superannuation Scheme (NHSS) in respect of a small number of staff at its School of Sport & Health Sciences and the Peninsula College of Medicine and Dentistry.

The latest actuarial valuation for USS was at 31 March 2005 and for ERBS was 6 April 2006. 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 those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. The assumptions and other data, which have the most significant effect on the determination of contribution levels, are as follows:

	USS	ERBS
	31 March 2005	6 April 2006
Latest actuarial valuations		
Investment return – past service per annum	4.5%	5.6%
Investment return – future service per annum	6.2%	5.6%
Pensionable salary increases per annum	3.9%	4.5%
Pension increases per annum	2.9%	3.0%
Price inflation per annum	2.9%	3.0%
Actuarial value of assets at date of last valuation	£21,740m	£63.4m
Value of past service liabilities	£28,308m	£84.0m
Proportion of members' accrued benefits covered by the actuarial value of the assets	77%	76%

(i) Universities Superannuation Scheme USS

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

NOTE 30 PENSION SCHEMES Contd.

The University is unable to separately 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.

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions that have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and Non-retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males	19.8 years
Females	22.8 years

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

NOTES TO THE ACCOUNTS

NOTE 30 PENSION SCHEMES Contd.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.5 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

NOTES TO THE ACCOUNTS

NOTE 30 PENSION SCHEMES Contd.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the institution was £6,541,000 (2006: £5,656,000). This includes £864,000 (2006: £741,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

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

The latest actuarial valuation dated 5 April 2006 continued to show that the funds held by the Scheme were insufficient to meet anticipated future commitments. The University has set a target of 20 years to eliminate this deficit and has agreed to increase employer's contributions in order to fund the projected shortfall.

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:

	2007	2006
	%	%
Rate of increase in salaries	4.8	4.6
Rate of increase in pension payments	3.3	3.1
Discount rate for scheme liabilities	5.8	5.1
Inflation assumption	3.3	3.1

The assets in the scheme and the expected rates of return were:

	31 July 2007		31 July 2006		31 July 2005	
	long-term rate of return expected at		long-term rate of return expected at		long-term rate of return expected at	
	%	£m	%	£m	%	£m
Equities	8.0	48.58	7.5	43.38	6.5	38.80
Bonds	5.0	15.74	4.5	16.30	4.5	15.50
Cash/Other	5.8	2.89	4.5	0.18	4.5	0.70
	<u>7.2</u>	<u>67.21</u>	<u>6.7</u>	<u>59.86</u>	<u>5.9</u>	<u>55.00</u>
Present value of scheme liabilities		(70.20)		(75.50)		(68.10)
Pension liability		<u>(2.99)</u>		<u>(15.64)</u>		<u>(13.10)</u>

NOTES TO THE ACCOUNTS

NOTE 30 PENSION SCHEMES Contd.

Income and Expenditure Account

Analysis of the amount charged to the income and expenditure account:

	2007	2006
	£m	£m
Current service cost	2.02	1.78
Past service cost	—	—
	<hr/>	<hr/>
Total operating charge	2.02	1.78
	<hr/>	<hr/>

Analysis of the amount charged to the income and expenditure account:

	2007	2006
	£m	£m
Within pension costs (note 6) – monthly contributions	2.38	1.78
Within pension costs (note 6) – FRS 17	(0.36)	—
	<hr/>	<hr/>
Total operating charge	2.02	1.78
	<hr/>	<hr/>

Analysis of amount credited to other finance expenditure:

	2007	2006
	£m	£m
Expected return on pension scheme assets	4.01	3.26
Interest on pension scheme liabilities	(3.84)	(3.36)
	<hr/>	<hr/>
Net credit/(charge) in accounts	0.17	(0.10)
	<hr/>	<hr/>

Statement of Recognised Gains and Losses

Analysis of the amount recognised in the statement of recognised gains and losses:

	2007	2006
	£m	£m
Actual return less expected return on scheme assets	3.00	2.00
Experience gains/(losses) on the scheme liabilities	3.04	(1.60)
Changes in financial and demographic assumptions underlying the present value of scheme liabilities	6.08	(3.60)
	<hr/>	<hr/>
Actuarial gain/(loss) recognised in the Statement of Recognised Gains and Losses	12.12	(3.20)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

NOTE 30 PENSION SCHEMES Contd.

The movement in the schemes deficit during the year is made up as follows:

	2007	2006
	£m	£m
Deficit on scheme at 1 August	(15.64)	(13.10)
Movements in the year:		
Current service cost	(2.02)	(1.78)
Contributions paid	2.38	2.54
Past services costs	—	—
Other finance expenditure	0.17	(0.10)
Actuarial gains/(losses)	12.12	(3.20)
	(2.99)	(15.64)

History of experience gains and losses:

	2007	2006	2005	2004	2003
Difference between expected and actual return on scheme assets:					
- Amount (£m)	3.00	2.00	6.50	(0.30)	(0.60)
- Percentage of scheme assets	4.5%	3.3%	11.8%	(0.7%)	(1.4%)
Experience gains/(losses) on scheme liabilities:					
- Amount (£m)	3.04	(1.60)	(0.70)	(0.20)	(8.60)
- Percentage of the present value of the scheme assets	4.3%	(2.1%)	(1.0%)	(0.3%)	(15.9%)
Total amount recognised in the statement of total recognised gains and losses:					
- Amount (£m)	12.13	(3.20)	(0.10)	(1.10)	(9.20)
- Percentage of the present value of the scheme assets	17.3%	(4.2%)	(0.1%)	(1.9%)	(17.0%)

(iii) Total Pension Cost

The total pension cost for the University was:

	2007	2006
	£'000	£'000
Contributions to USS – regular cost	6,541	5,656
Contributions to ERBS – current and past service cost	2,149	1,743
Contributions to other pension schemes	121	81
	8,811	7,480
Supplementary pension costs	12	26
Early retirement pension enhancement costs	41	68
	8,864	7,574
Total pension cost	8,864	7,574

NOTES TO THE ACCOUNTS

NOTE 31 CAPITAL COMMITMENTS – Group and University

	2007	2006
	£'000	£'000
Commitments contracted at 31 July	7,392	8,749
Authorised but not contracted at 31 July	14,405	34,704
	<hr/>	<hr/>
	21,797	43,453
	<hr/>	<hr/>

During the year expenditure was incurred on academic buildings, student accommodation, conference facilities and student amenity buildings.

NOTE 32 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. 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 undertakes transactions with Lacey Hickie & Caley Limited for architectural services. These transactions are conducted at arm's length and in the normal course of business. Mr Peter Lacey, a Pro-Chancellor of the University from 1 August 2007, is a non-executive director of Lacey Hickie & Caley Limited.

The University has taken advantage of the exemption under FRS 8 'Related party disclosures' not to disclose transactions with subsidiaries that are at least 90% owned.

Tremough Campus Services

The University holds a 50% share of Tremough Campus Services (TCS), a company limited by guarantee, having no share capital and for which exempt charitable status has been obtained. TCS is a joint venture company owned equally by the University and University College Falmouth (UCF).

TCS has been established to operate student and commercial services for the Combined Universities in Cornwall campus at Tremough in Penryn under a combined services agreement and commenced trading in August 2004.

The University and UCF have continued to guarantee sums of £9.3m and £6.25m each to Lloyds TSB Bank Plc, in respect of the borrowings of £18.6m and £12.5m respectively to TCS.

Tremough Development Vehicle Limited (TDV) is a wholly owned subsidiary of TCS. It has been established to provide the construction of the main campus for the Combined Universities in Cornwall project based at Tremough. TDV will continue to undertake academic related building works on behalf of the University and UCF. The University and UCF receive capital grants that are released to TDV to fund the academic development at the Tremough campus.

NOTES TO THE ACCOUNTS

NOTE 32 RELATED PARTY TRANSACTIONS Contd.

During the year TCS continued to contract for the design and construction of Phase 2 of the hub development for the Combined Universities in Cornwall initiative. TCS will contract the works with third parties and will recover funds from the University and UCF on the basis of an agreed split of costs and usage of space. This split has been set at 52.44% (Phase 1) and 45.48% (Phase 2) for the University and 47.56% (Phase 1) and 54.52% (Phase 2) for UCF. TCS has capital commitments as follows:

	2007	2006
	£'000	£'000
Commitments contracted at 31 July	24,160	30,049
Authorised but not contracted at 31 July	728	6,304
	24,888	36,353

Amounts authorised are in respect of the building works for Phase 2 of the hub less commitments to date. Commitments then relate to the design, construction and fit-out for this work that had been awarded to contractors at the year end date.

Transactions between the University and TCS were as follows:

	2007	2006
	£'000	£'000
Income derived from TCS	115	105
Expenditure incurred from TCS	1,828	851
Payments by TCS on behalf of the University	7,495	1,954

'Payments by TCS on behalf of the University' represents amounts paid to contractors for the University's share of the design and construction of Phases 1 and 2 at the Tremough campus.

The balances owing between the University and TCS at the year end were as follows:

	2007	2006
	£'000	£'000
Amount owing from University of Exeter to TCS	1,100	1,054
Amount due to University of Exeter from TCS	751	50

NOTES TO THE ACCOUNTS

NOTE 32 RELATED PARTY TRANSACTIONS Contd.

Exeter ISC Limited

On 30 October 2006 the University formed the wholly owned subsidiary Exeter ISC Limited. Exeter ISC Limited has an issued share capital of 100 Ordinary £1 shares and 149,900 redeemable £1 preference shares.

Exeter ISC Limited 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.

During the year the University recharged £410,000 of operating costs to INTO University of Exeter LLP. This was in the normal course of business. At the year end INTO University of Exeter LLP owed the University £328,000.

Also during the year the University entered into a loan agreement with Exeter ISC Limited. The agreement was to enable Exeter ISC Limited to borrow up to £350,000 from the University at an interest rate of 2.5% above the base lending rate of Barclays Bank Plc.

Exeter ISC Limited also had a second loan agreement to lend up to £350,000 to INTO University of Exeter LLP, again, at an interest rate of 2.5% above the base lending rate of Barclays Bank Plc.

The balances owing between Exeter ISC Limited and its related parties at the year end were as follows:

	2007
	£'000
Amount owing from Exeter ISC to the University of Exeter	154,188
Amount due to Exeter ISC from INTO University of Exeter LLP	<u>154,188</u>

University of Exeter Students' Guild

In accordance with FRS 2, the activities of the University of Exeter Student's Guild have not been consolidated on the grounds that the University does not operate dominant influence over its activities. During the year ended 31 July 2007 the deficit on the Guild's activities was £39,000 (2006: £2,000 surplus) and its capital and reserves totalled £146,000 at this date (2006: £228,000).

The Exeter University Foundation

In accordance with FRS 2, the activities of the accounts of The Exeter University Foundation, a registered charity, have not been consolidated on the grounds that the University does not operate dominant influence over its activities.

The Foundation is a development trust established to attract and distribute funds for the benefit of the University with its own charity registration. During the year ended 31 July 2007 it made charitable disbursements to the University of £536,000 (2006: £706,000) and had funds totalling £6,077,000 at that date (2006: £5,483,000).

NOTE 32 RELATED PARTY TRANSACTIONS Contd.

Thomas Hall Estates Limited

During the year the University entered into an arrangement with a local construction company to renovate and refurbish Thomas Hall. The nature of the arrangement was that a company, Thomas Hall Estates Limited, was established to carry out the required work and that each party would subscribe £1m each; the construction company in cash and the University by way of property insertion.

Two of the University's staff and the Treasurer (Chair) are directors of Thomas Hall Estates Limited.

At the balance sheet date planning permission had not yet been granted and, as stated in the agreement, if the project was aborted each party would be liable to 50% of the direct costs incurred to date by the company. As such the University has continued to accrue costs of £133,000 (2006: £133,000).

NOTE 33 ACCESS FUNDS

Summary of transactions for the year ended 31 July 2007

	2007	2006
	£'000	£'000
Balance unspent at 1 August	45	46
Funding Council grants	351	479
Interest earned	8	3
	<hr/>	<hr/>
	404	528
Disbursed to students	(361)	(480)
Administration costs	(8)	(3)
	<hr/>	<hr/>
Balance unspent at 31 July	35	45
	<hr/>	<hr/>

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 34 TDA INITIAL TEACHER TRAINING BURSARIES

Summary of transactions for the year ended 31 July 2007

	2007	2006
	£'000	£'000
Balance brought forward at 1 August	146	230
TDA grants received	4,168	3,604
	<hr/>	<hr/>
Total TDA training bursary funding available for the year	4,314	3,834
Disbursements to students	(4,237)	(3,688)
	<hr/>	<hr/>
Funds to be recovered at 31 July	77	146
	<hr/>	<hr/>

TDA 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.

NOTES TO THE ACCOUNTS

NOTE 35 TDA BLACK AND MINORITY ETHNIC (BME) RECRUITMENT AND RETENTION

Summary of transactions for the year ended 31 July 2007

	2007	2006
	£'000	£'000
Balance at 1 August	2	—
BME funds received	2	17
	<hr/>	<hr/>
Total BME funding available for the year	4	17
BME recruitment and retention expenditure	(4)	(15)
	<hr/>	<hr/>
Balance at 31 July	—	2
	<hr/>	<hr/>

NOTE 36 TDA STUDENT ASSOCIATES SCHEME (SAS)

Summary of transactions for the year ended 31 July 2007

	2007	2006
	£'000	£'000
Balance at 1 August	655	497
Funds received	507	1,412
Disbursements to students	(497)	(1,254)
	<hr/>	<hr/>
Balance at 31 July	665	655
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

NOTE 37 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY

INCOME AND EXPENDITURE ACCOUNT of the HE Community Chest for the year ended 31 July 2007

INCOME	Note	University of Exeter 2006/07 £'000	University of Plymouth 2006/07 £'000	Total 2006/07 £'000	Total 2005/06 £'000
Funding Council grants	iii	5,093	5,093	10,186	7,008
Tuition fees and education contracts		1,017	1,018	2,035	1,158
University research support		45	45	90	123
NHS funding	iv	2,272	2,272	4,544	4,764
Research grants and contracts		2,665	2,664	5,329	4,714
Other income	v	1,281	1,281	2,562	2,838
Endowment and investment income		246	246	492	328
Total income		12,619	12,619	25,238	20,933
EXPENDITURE					
Staff costs		7,278	7,279	14,557	12,237
Other operating expenses		4,941	4,940	9,881	7,862
Depreciation	vi	128	127	255	245
Total expenditure		12,347	12,346	24,693	20,344
Surplus on continuing operations		272	273	545	589

NOTES TO THE ACCOUNTS

NOTE 37 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY Contd.

BALANCE SHEET of the HE Community Chest as at 31 July 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	vi	583	632
Current assets			
Debtors	vii	5,162	5,862
Cash at bank and in hand	viii	9,833	6,730
		<u>14,995</u>	<u>12,592</u>
Creditors: amounts falling due within one year	ix	(11,432)	(9,579)
Net current assets		<u>3,563</u>	<u>3,013</u>
Total assets less current liabilities		<u>4,146</u>	<u>3,645</u>
NET ASSETS		<u>4,146</u>	<u>3,645</u>
Deferred capital grants		583	627
Reserves	x	3,563	3,018
TOTAL		<u>4,146</u>	<u>3,645</u>

Explanatory Notes

i. *Background*

The Peninsula College of Medicine and Dentistry (PCMD) is not a legal entity in its own right. It is a joint arrangement entered into in partnership by the University of Exeter and the University of Plymouth. PCMD, in turn, has partnership arrangements with three NHS Trusts (The Royal Devon and Exeter NHS Foundation Trust, Plymouth Hospitals NHS Trust and Royal Cornwall Hospitals Trust) and further arrangements with healthcare providers throughout the South West peninsula.

ii. *Audit arrangements*

A 50% share of the Income, Expenditure and Balance Sheet items of the Peninsula College of Medicine and Dentistry is included within the Income and Expenditure Account and Balance Sheet of each of the Universities. These transactions are part of the audited financial statements of each University for the year ended 31 July 2007.

NOTES TO THE ACCOUNTS

NOTE 37 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY Contd.

	2007	2006
	£'000	£'000
iii. <i>Funding Council grants</i>		
Recurrent grant	9,504	6,418
Other specific grants	493	401
Deferred capital grants released in the year		
Equipment	189	189
	10,186	7,008
iv. <i>NHS Funding</i>		
Service Increment for Teaching (SIFT) funding	4,544	4,764

This funding was receivable to cover HE expenditure attributable to the NHS aspects of the Peninsula College of Medicine and Dentistry.

	2007	2006
	£'000	£'000
v. <i>Other Income</i>		
Other grant income	686	1,050
Other income	1,876	1,788
	2,562	2,838
vi. <i>Fixed Assets</i>		

Equipment costing less than £25,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over its useful life as follows:

Computer equipment	4 years
Equipment acquired for specific research projects	project life (generally 3 years)
Other equipment	8 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected life of the equipment. The equipment capitalised in this statement is solely acquired with funding made available from the HE Community Chest and the equipment is jointly owned by the two Universities. The principal items are for telematics.

NOTES TO THE ACCOUNTS

NOTE 37 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY Contd.

vii. Debtors	2007	2006
	£'000	£'000
Debtors	1,369	1,185
Prepayments and accrued income	3,793	1,936
Due from NHS partners	—	2,741
	<hr/>	<hr/>
	5,162	5,862
	<hr/>	<hr/>
viii. Cash at Bank and in Hand	2007	2006
	£'000	£'000
Held by:		
University of Exeter	8,182	5,403
University of Plymouth	1,650	1,256
University of Plymouth Peninsula College of Medicine and Dentistry	1	71
	<hr/>	<hr/>
	9,833	6,730
	<hr/>	<hr/>

These balances are held under the agreed management arrangements. The University of Plymouth Peninsula College of Medicine and Dentistry account facilitates payments to suppliers whilst the balances held by the University of Exeter and the University of Plymouth are held in short-term deposits.

NOTES TO THE ACCOUNTS

NOTE 37 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY Contd.

ix. <i>Creditors: Amounts falling due within one year</i>	2007 £'000	2006 £'000
Bank overdraft	5	—
Trade creditors	35	72
Other creditors	85	21
Due to partner universities	2,145	1,314
Deferred income:		
HEFCE recurrent teaching grant	3,659	3,354
NHS capital funding received in advance	124	265
NHS Dental School set-up funding received in advance	834	146
Accruals and other deferred income	4,545	4,407
	11,432	9,579
	11,432	9,579
x. <i>Reserves</i>	2007 £'000	2006 £'000
Opening balance	3,018	2,429
Surplus for the year	545	589
	3,563	3,018
	3,563	3,018
xi. <i>Expenditure within the NHS</i>		
During the year ended 31 July the following expenditure relating to PCMD took place within the NHS:		
	2007 £'000	2006 £'000
	13,559	14,168
	13,559	14,168
	13,559	14,168

FIVE YEAR SUMMARY ACCOUNTS

INCOME AND EXPENDITURE

	2006/07	2005/06	2004/05	2003/04	Restated 2002/03
	£'000	£'000	£'000	£'000	£'000
Income					
Funding body grants	57,898	52,673	48,848	44,242	42,069
Tuition fees and education contracts	35,179	29,712	27,795	25,147	22,856
Research grants & contracts	19,520	16,494	15,293	13,808	12,472
Other income	37,096	36,824	35,987	31,466	27,063
Endowment & investment income	2,549	1,899	1,044	907	1,167
Other financial income	170	—	—	—	300
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total income	152,412	137,602	128,967	115,570	105,927
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditure					
Staff costs	90,082	79,066	77,711	71,583	60,689
Other operating expenses	50,419	45,034	43,153	39,207	36,221
Depreciation	10,054	7,535	6,904	5,640	5,763
Interest payable	4,944	4,399	3,333	1,589	1,857
Other financial expenditure	—	100	400	—	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure	155,499	136,134	131,501	118,019	104,530
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating (Deficit)/Surplus	(3,087)	1,468	(2,534)	(2,449)	1,397
Share of operating loss in JV	(817)	(318)	(150)	—	—
Exceptional items	3,188	(2,351)	(9,994)	(2,654)	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(Deficit)/Surplus for the year	(716)	(1,201)	(12,678)	(5,103)	1,397
Historical cost adjustments	6,374	4,913	6,125	2,175	2,673
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Historical cost surplus/ (deficit) for the year	5,658	3,712	(6,553)	(2,928)	4,070
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

FIVE YEAR SUMMARY ACCOUNTS

BALANCE SHEET

	2006/07	2005/06	2004/05	2003/04	Restated 2002/03
	£'000	£'000	£'000	£'000	£'000
Fixed assets	450,593	432,267	235,748	227,411	193,741
Endowment asset investments	18,997	16,645	13,551	10,585	9,772
Net current assets	19,357	15,939	6,665	536	6,802
Creditors: amounts falling due after more than one year	(77,871)	(76,796)	(62,626)	(47,482)	(29,941)
	<u>411,076</u>	<u>388,055</u>	<u>193,338</u>	<u>191,050</u>	<u>180,374</u>
Pension liability	(2,990)	(15,640)	(13,100)	(11,300)	(9,800)
	<u>408,086</u>	<u>372,415</u>	<u>180,238</u>	<u>179,750</u>	<u>170,574</u>
Total net assets					
Represented by:					
Deferred capital grants	85,558	64,319	57,826	48,078	34,809
Specific endowments	18,997	16,645	13,551	10,585	9,772
Revaluation reserve	269,632	275,389	93,271	98,843	99,622
Income and expenditure reserve	33,899	16,062	15,590	22,244	26,371
	<u>408,086</u>	<u>372,415</u>	<u>180,238</u>	<u>179,750</u>	<u>170,574</u>
Total funds					

FINANCIAL STATISTICS

	2006/07	2005/06	2004/05	2003/04	Restated 2002/03
Sources of income (% of income)	%	%	%	%	%
Funding body grants	38.0	38.3	37.9	38.2	39.8
Tuition fees – Home and EU	15.2	12.3	12.2	12.3	12.6
Tuition fees – Overseas and other	7.9	9.3	9.3	9.5	8.9
Research grants & contracts	12.8	12.0	11.9	11.9	11.8
Residences, catering and conferences	13.6	15.2	15.8	17.3	17.4
Other income	10.7	11.5	12.1	10.0	8.1
Endowment & investment income	1.7	1.4	0.8	0.8	1.1
Other financial income	0.1	—	—	—	0.3
Total income	100.0	100.0	100.0	100.0	100.0
Analysis of expenditure (% of expenditure)	%	%	%	%	Restated 2002/03 %
Staff costs	57.9	58.1	59.1	60.7	58.0
Other operating expenses	32.4	33.1	32.8	33.2	34.7
Depreciation	6.5	5.5	5.3	4.8	5.5
Interest payable	3.2	3.2	2.5	1.3	1.8
Other financial expenditure	—	0.1	0.3	—	—
Total expenditure	100.0	100.0	100.0	100.0	100.0
Operating (deficit)/surplus as a % of total income	(2.0)	1.1	(2.0)	(2.1)	1.3

FINANCIAL STATISTICS

	2006/07	2005/06	2004/05	2003/04	Restated 2002/03
Indicators of financial strength					
Days ratio of available funds* to total expenditure**	48.4	42.9	30.7	54.3	76.6
<i>The number of days expenditure that could be sustained from available funds</i>					
% Ratio of long term liabilities* to total net assets	19.1	20.6	34.7	26.4	17.6
<i>Measures the extent to which an institution is funded by long term debt</i>					
Indicators of liquidity and solvency					
Ratio of liquid assets to current liabilities	19.6	17.7	14.3	9.7	9.3
<i>Extent to which current liabilities could be met from cash and liquid investments</i>					
Days ratio of liquid assets to total expenditure**	71.4	64.6	52.0	35.3	33.8
<i>Days that total expenditure could be met from cash and liquid investments</i>					
Ratio of current assets to current liabilities	147.3	144.9	123.0	102.0	133.7
<i>Extent to which current liabilities could be met from current assets</i>					
Days of total income*** represented by debtors	54.0	47.3	38.5	51.0	58.6
<i>Days of total income (excluding Funding body grants) represented by debtors</i>					
* Excluding FRS17 pension liability/reserve					
** Excluding depreciation and FRS17 expenditure					
*** Excluding FRS17 income					

NOTES



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