

Financial Statements

for the year ended 31 July 2012



CHANCELLOR:

Baroness Floella Benjamin, OBE HonDLitt *Exon*

PRO-CHANCELLORS:

K Russell Seal, BA HonDSc *Keele retired 31 July 2012*

Sarah Turvill LLB *Exon appointed 1 August 2012*

Peter Lacey, BSc BArch *Bath RIBA*

Richard M P Hughes (Finance), MA *Oxon FCA*

VICE-CHANCELLOR AND CHIEF EXECUTIVE:

Professor Sir Steven M Smith, BSc MSc PhD *S'ton AcSS FRSA*

DEPUTY VICE-CHANCELLORS:

Professor Neil Armstrong, BEd MSc Lough PhD *Exon DSc Exon CBiol FIBiol FRSH FRSA*

Professor Janice M Kay, BA *Newc PhD Cantab AFBPsS*

Professor Mark Overton, BA *Exon MA PhD Cantab*

Professor Nick Talbot, BSc PhD *UEA*

REGISTRAR AND DEPUTY CHIEF EXECUTIVE:

David J Allen, BA MEd *Wales*

DIRECTOR OF ACADEMIC SERVICES AND DEPUTY REGISTRAR:

Michele I Shoebridge, BA (Hons), PG Dip.Lib MA

DIRECTOR OF FINANCE:

Andrew Connolly, BA (Hons), CPFA

BANKERS:

National Westminster Bank PLC	Barclays Bank PLC
Stocker Road	3 Bedford Street
Exeter	Exeter
EX4 4RH	EX1 1LX

INVESTMENT MANAGERS:

From 9 November 2011	Until 8 November 2011
J.P. Morgan International Bank Ltd	Investec Wealth & Investment Ltd
125 London Wall	(formerly Rensburg Sheppards)
London	2 Gresham Street
EC2Y 5AJ	London
	EC2V 7QN

EXTERNAL AUDITORS:

KPMG LLP
Plym House
3 Longbridge Road
Plymouth
PL6 8LT

INTERNAL AUDITORS:

Mazars LLP
Clifton Down House
Clifton Down
Bristol
BS8 4AN

FOREWORD

I am pleased to present these Financial Statements, my first since assuming the role of Pro-Chancellor and Chair of Council, the University's governing body, in August 2012. I join the University at a time of tremendous achievement as Exeter became a member of the leading Russell Group of UK universities, was named 'University of the Year 2012-13' by the *Sunday Times* while rising to 7th in the UK in its league table.

The year also saw the completion of the Forum project, a £50m investment in student facilities opened by Her Majesty The Queen in May 2012. While we have done all we can to mitigate its effects, our students have endured major upheaval on the Streatham and Cornwall campuses in recent years as a significant amount of large scale building work has been delivered across our campuses. So it is especially pleasing to see the University improve its rankings in the 2012 National Student Satisfaction Survey, rising from 8th to 6th in the UK for overall satisfaction and 3rd in terms of teaching quality.

On 1 August 2012, the University of Exeter Medical School came into being following agreement with our partner to wind down the Peninsula College of Medicine and Dentistry. The creation of our own Medical School presents a huge opportunity for the University and for healthcare on the South West Peninsula.

Last year was the last in which home/EU undergraduate student numbers were fully regulated and it was the last year before the new £9,000 tuition fee came into force. It was the year in which all universities endured the third successive year of reductions to their teaching grant from Government, combined with virtually no volume growth in funded student numbers. This has played a part in contributing towards Government's management of public finances as it attempts to balance its books but has placed financial strain upon the sector. So I take great satisfaction that these Financial Statements report a healthy surplus for the year.

It is especially pleasing to see tuition fee income from international students rising by over 30%, now standing at £41m. Students from over 130 countries play a significant role in enriching the University's academic environment, bringing together diverse cultures and perspectives and promoting common understanding. Economically



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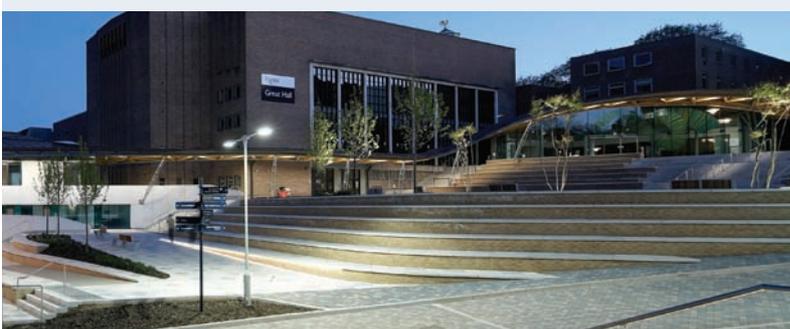
our international students contribute over £104m to the South West economy, supporting 3,280 jobs in the region.

The University will continue to invest in its future, ensuring that its students and staff have access to the very best teaching and research environment, enhancing our ability to compete as Government begins the process of deregulating the domestic market place and as global competition increases for the best staff and students. The University has already embarked on the delivery of the next phase of its investment plan worth £100m and is already undertaking early stage planning on how to meet its needs beyond that.

Much of the University's recent success is attributable to the commitment of its staff, both academic and those providing support services. Each has contributed to the delivery of our strategic plan and the achievement of our targets, most noticeably placing the University firmly in the UK's top ten in *The Times*, *Guardian* and *Sunday Times*. Internationally we are now in the top 200 in the two leading tables and progressing towards our target of top 100 by 2015. I would like to single out two individuals. My predecessor, Russell Seal, stepped down as Pro-Chancellor and Chair of Council after 12 years on 31 July 2012. Russell, along with the senior team, played a pivotal role in transforming the University's academic and financial performance, placing it in good stead to face the challenges of the future. Also the University's Registrar and Deputy Chief Executive, David Allen, is stepping down in April 2013, after nearly ten years of service. David too has played a central role in transforming the University. The search for his replacement is underway. Thanks to Russell and David, the leadership of Sir Steve Smith as our Vice-Chancellor and the dedication of all our staff, the University of which I now assume the Chair is incomparably stronger on virtually all measures: intellectually; strength of research income and impact; in its league table positioning; in levels of student satisfaction and in terms of financial health. I am looking forward to helping the University build upon this success to face the challenges of the future.



Sarah Turvill,
Chair of Council



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OF YEAR

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FURTHER ANALYSIS

HIGHLIGHTS¹

Performance

- Total income: **£257.0m** (£246.2m), up **4.4%**
- Historical cost surplus for the year: **£8.4m** (£13.9m)
- Earnings (EBITDA²): **£19.2m** (£27.0m)
- Staff cost ratio: **54.7%** of income (52.0%)

Investment

- Capital expenditure: **£47.4m** (£62.1m)
- Capital grants: **£19.0m** (£14.8m)

Liquidity and Debt

- Total debt: **£118.7m** (£102.7m)
- Total cash and cash deposits: **£46.4m** (£46.2m)
- Net debt: **£72.3m** (£56.5m)

Financial Strength

- Net current assets ratio: **1.20** (1.17)
- Net assets: **£490.7m** (£472.6m), up **3.8%**

¹ Comparative data for the prior year 2010/11 is shown in () throughout the Business Review

² Earnings before interest, taxation, depreciation and amortisation, excluding FRS17 accounting credits from earnings and deferred capital grants released.



The opening of the new University of Exeter boathouse.

SCOPE OF THE FINANCIAL STATEMENTS

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

The University exercises joint control over two joint ventures, for which our share of net assets and operating surplus are included in the Financial Statements. Falmouth Exeter Plus Ltd (formerly known as Tremough Campus Services Ltd) and INTO University of Exeter LLP. Further details are provided in Note 13 of these Financial Statements.

The Peninsula College of Medicine and Dentistry is a joint arrangement with Plymouth University and is included in the Financial Statements on a line by line basis reflecting

the University's 50% share of net revenues, assets and liabilities. On 20 July 2012 both Universities entered into an agreement to disaggregate the joint arrangement, effective from 1 August 2012 (this has no financial consequences to be charged in the year ending 31 July 2012). Further details are provided in Note 34 of these Financial Statements.

The Students' Guild is a separate registered charity and is not consolidated into these Financial Statements as the University does not operate dominant or significant influence over the Guild.

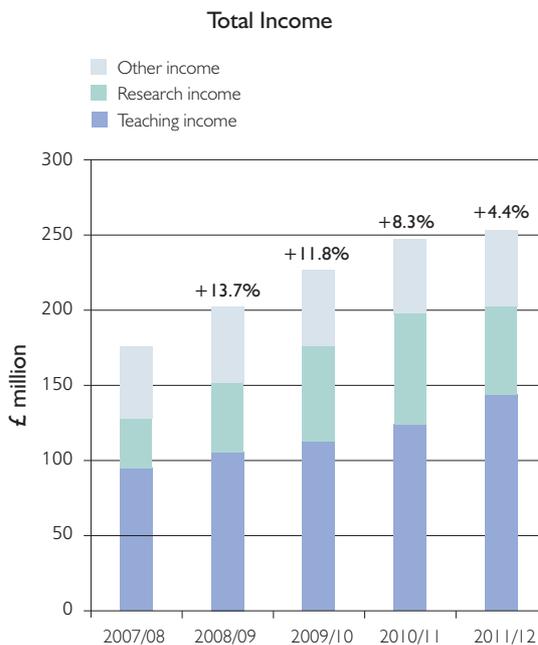
RESULTS FOR THE YEAR

The University's financial performance remained strong, resulting in an historical cost surplus for the year of £8.4m (£13.9m), exceeding the University's budget. This result was achieved in the context of continuing reductions in Government funding for teaching as Government tackles its budget deficit by squeezing the public funding of universities.

Total income increased by 4.4% to stand at £257m, driven by increases in tuition fee income (15.3%) and income from research grants and contracts (7.8%). Reductions to public funding of teaching has its greatest impact in 2011/12 having commenced in 2009/10 and accumulating through to 2014/15. However, from 2012/13 higher tuition fees for home/EU undergraduate students will begin to flow through to offset these reductions. The University has maintained an impressive trajectory of growth in recent years, despite cumulative reductions to its funding.

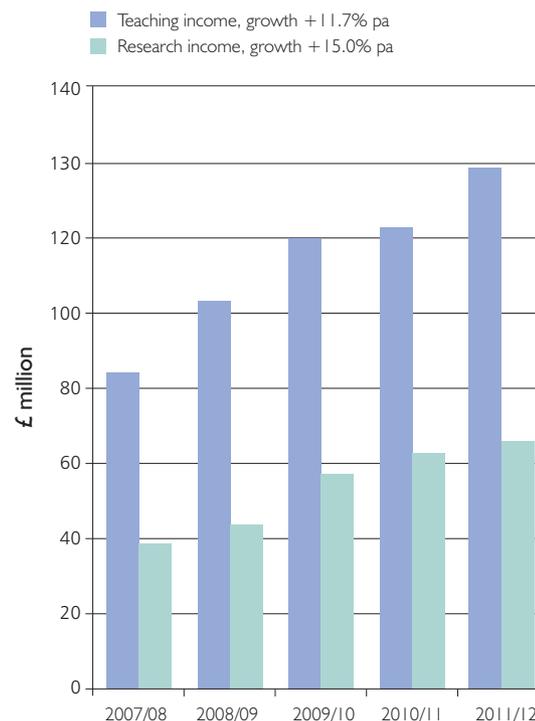
Teaching block grant fell by £4.2m (9.2%) over the year, compensated for by increased tuition fee income of £12.5m (15.4%), principally driven by growth in international student fees of £10.4m (34%). The University intends to maintain its international student body at 4,000 full-time equivalent students to enable diversification of markets and subject disciplines whilst continuing to improve the quality of the intake. Tuition fee income from home/EU undergraduates increased to £38.0m (6.6%) reflecting growth in student numbers whereas fee income from postgraduate students fell to £10.9m (12.4%) reflecting a declining market.

Research grants and contract income rose to £49.9m (7.8%) while indirect cost recovery was 26.5% of income (23.9%). Growth of research income is expected to



While growth in income has slowed in recent years, the University's record has been impressive with research income³ growing at an annualised rate of 15% per year over the last five years and teaching income⁴ by nearly 12% per year over the same period, with a resultant increase in research intensity.

Annualised Growth of Teaching and Research Income
teaching grant + fees, research grant + grants and contracts



³ Research block grant and research grants and contracts income

⁴ Teaching block grant and tuition fees

continue in coming years as the University reaps the benefits of investment in staff and its science, humanities and social sciences strategies, aimed at optimising the submission to the 2014 Research Excellence Framework (REF2014) in November 2013 in expectation of enhancing research quality, volume, league table positioning and block grant funding.

Staff costs increased by £12.6m (9.9%) as a result of increased research volume but also investment in staff as part of the University's REF2014 strategy. Pay awards remain at realistic levels in the context of reductions to public funding. The University adopts a performance approach to the reward of staff setting aside 1% of its staffing budget to distribute to staff under a merit pay initiative and a further 1% for a staff bonus. Both have been fully provided for in 2011/12.

The University's share of income from joint ventures increased to £15.8m (22.1%), contributing £1.6m (£0.9m) to the University's surplus for the year.

The University has begun to identify a series of investment priorities, both revenue and capital, to enable its strategic priorities to be delivered. Cash generated from operating activities, after servicing debt, will enable these investment priorities to be delivered. The key performance indicator for finance will be based on cash earnings, technically defined as

EBITDA. Over a five year period earnings have more than doubled although fell in 2011/12 to £19.2m (£27.0m) as a consequence of reductions to teaching grants ahead of the new £9,000 fee regime and investment in staffing ahead of REF2014.

Council is currently considering a revised finance strategy which will set targets for the future level of earnings, investment levels, debt appetite and liquidity levels. The new strategy has been tailored to meet the University's business needs, facilitating the delivery of its strategic priorities. The strategy is expected to be adopted by Council in December 2012 and implemented during 2012/13.

KEY PERFORMANCE INDICATORS (KPIs) ⁵

The University has a strong focus on performance management and the delivery of its strategic plan, focusing on 10 KPIs, benchmarked to a peer group of 10 institutions. The peer group is selected on the basis of being consistent high ranking research intensive universities. The resultant KPIs are designed to be stretching to ensure that the University achieves its objective of being consistently ranked in the UK's top 10.

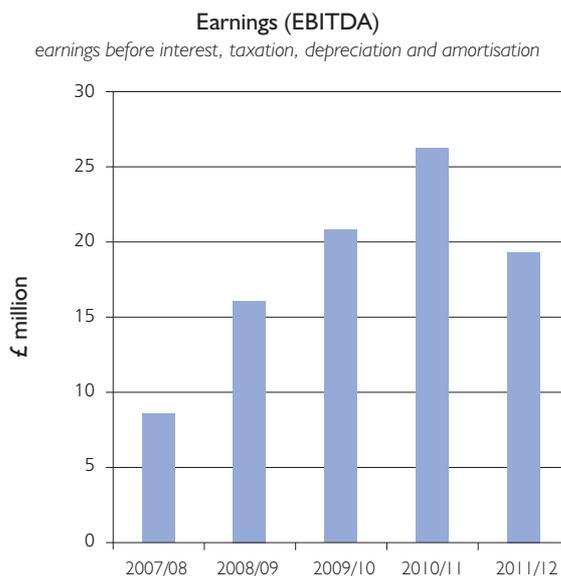
This illustrates that the University is ranked 1st in the peer group on the *Postgraduate Research Student per Staff FTE* indicator (no change) and ranked 8th on the employability indicator (improvement of 1 place).

On eight indicators the University's position either improved or remained unchanged.

On two indicators the University's position deteriorated.

INVESTMENT, LIQUIDITY AND DEBT

Investment remains at the heart of the University's strategy, underpinning its drive to enhance the quality of its teaching and research to ensure the University can compete on the national and international stage, at a time of significant change in the market and regulatory environment of UK higher education. The University also recognises the



⁵ Ranking of comparative data is based on the latest publicly available data sets to ensure like-for-like comparisons. For example, financial KPIs are based on 2010/11 published data (current) and 2009/10 (previous).

importance of investment to underpin long-term financial sustainability, maintaining current income streams and providing capacity to grow.

Capital expenditure of £47.4m (£62.1m) was delivered during the year with the completion of a number of major projects. These include the Forum (£50m project cost) which provides a new student centre, locating many student facing services under one roof, a new entrance to a fully refurbished Library, IT rich learning spaces, a new 400-seat auditorium, social facilities and a new reception and central plaza at the heart of the Streatham campus. The Forum was opened in May 2012 by Her Majesty The Queen and has proven to be popular with the student body, registering 50% of the University's Wi-Fi traffic within weeks of opening. The project was planned, in concept and timing, with the introduction of the new £9,000 home/EU undergraduate tuition fee that will apply from the 2012 intake.

In September 2012 the Environment and Sustainability Institute (£35m project cost) was completed on our Cornwall campus, part funded from EU grant. Other projects completed include the Sir Henry Wellcome Building for Mood Disorders Research (£3.6m project cost), fully funded by grant from the Wellcome-Wolfson partnership.

In addition to direct investment our partner UPP completed its development of new build and refurbishment of student accommodation on the Streatham campus. The University's residential estate, both on the Streatham and Cornwall campus, is now of very high quality and will help underpin demand and the quality of the student experience.

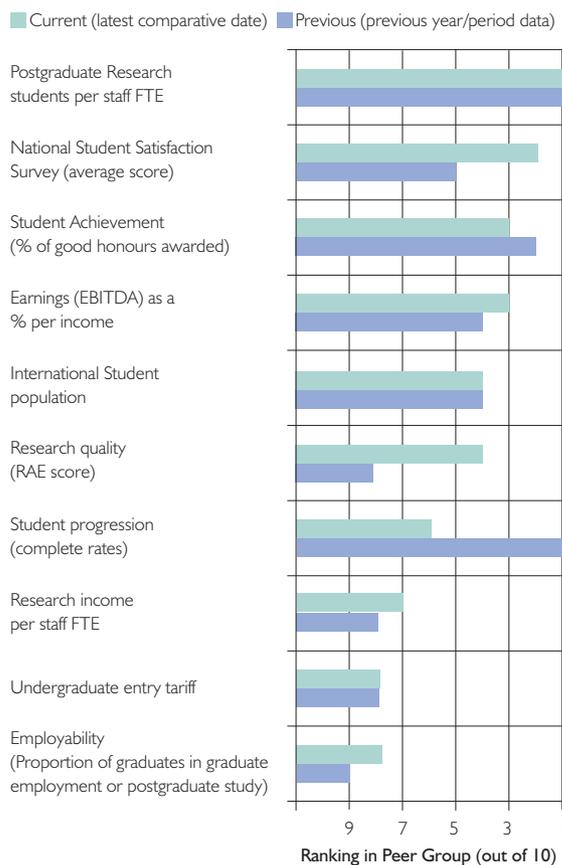
The University's liquidity position remains strong with cash and liquid investments remaining virtually unchanged over the year at £46.4m (£46.2m), representing 71 liquidity days i.e. the number of days of average expenditure cash balances could support.

The University has a £165m loan facility over a 30-year term of which £118.7m has been drawn as at 31 July 2012. £15m of this facility has been earmarked to be retained as a revolving credit facility to fund working capital requirements. The loan was arranged on favourable terms before banking conditions changed as a result of the 2007 so called 'credit crunch'. Total debt stands at £118.7m (£102.7m) as at 31 July 2012. Net debt (i.e. total debt less cash and liquid investments) stands at £72.3m (£56.6m).

PENSIONS

Like many organisations pensions remain a significant liability and risk. Many commentators have suggested that financial markets, and particularly UK gilt yields, are in something of an artificial bubble as a result of the Bank of England's quantitative easing programme and the Euro-zone crisis, both of which have the impact of increasing demand for UK gilts and conversely reducing gilt yields. In turn this results in a high valuation of pension liabilities. The health of pension schemes is also affected by current low inflation, low investment returns and improving longevity of scheme members.

Key Performances Indicators
Rankings in Peer Group



BUSINESS REVIEW

The Universities Superannuation Scheme (USS) scheme is a multi-employer scheme and its assets and liabilities cannot be attributed to individual member universities and as a result the University's share of the USS deficit does not appear within these Financial Statements. USS itself reports a total deficit of £9.8 billion (as at 31 March 2012) for the entire UK higher education sector. This compares to £2.9 billion at its last valuation date of 31 March 2011. USS has strong positive cash flows and its financial position is likely to be materially exaggerated by the current low level of gilt yields. Nevertheless the University's exposure to a share of the USS deficit, however it is valued, is real. All member universities have entered into a deficit recovery plan with USS, based on the March 2011 actuarial valuation, aimed at clearing the deficit over a 10-year period. In an attempt to manage pension risk all new joiners to USS from April 2011 onwards, are offered a defined benefit pension based on career average re-valued earnings rather than final salary.

The deficit of the University's own support staff pension scheme, the Exeter Retirement Benefits Scheme (ERBS), is included in these Financial Statements and stands at £13.5m (£12.4m). The inclusion of this deficit, and its valuation, is based on current accounting standards. However, ERBS itself has valued its own deficit at £52.3m (as at April 2009) and it is at this higher value that the University has agreed to finance a deficit recovery plan over 25 years. ERBS has recently completed an actuarial valuation as at April 2012 and the results of this are currently being discussed with the University with a view to revising the deficit recovery plan. In addition the University provides the trustees of ERBS with a bank guarantee of £34m. See Note 28 for further details.

RISKS AND UNCERTAINTIES

The University has robust and embedded risk management procedures with the Vice-Chancellor's Executive Group taking responsibility for risk management, updating the corporate risk register, receiving individual risk registers from Colleges and Services and reporting on risk to Council throughout the year. The top three risks identified are:

- Exeter Medical School: effectively a new start up combined with a prolonged transition as the former joint medical school is wound-down over five years.



This is a complex project requiring careful management. Project management and joint governance arrangements are in place to oversee this.

- Research funding, performance and post-graduate research student (PGR) recruitment: the University's strategic plan is based on demanding growth and performance targets as part of the REF2014 strategy.
- Infrastructure strategy: failure to deliver projects on budget and on programme, a risk that reflects the University's significant capital investment programme to achieve its strategy, along with a failure to invest in new facilities to meet student expectations and accommodate planned growth.

Significant mitigation is in place to minimise the likelihood and impact of these risks. The Risk Register also identified the performance of the Student Loan Company as a potential high risk and in particular the ability of its processes and IT systems to cope with the new fee regime. However, these fears proved to be unfounded and the 2012 cycle appears to have gone smoothly with students receiving their maintenance loans, grants and bursaries from the SLC on time and the University receiving its first instalment of tuition fee income on time.

FUTURE OUTLOOK

Following the Browne Review of Higher Education Funding and Student Finance published in October 2010,

Government announced significantly revised proposals. It is possible that Government or the Higher Education Funding Council for England will continue to roll out a succession of reforms with the aim of increasing deregulation over student number control and enabling new private providers to enter the market place. There is a risk that such piecemeal reforms can have unplanned and unintended consequences.

The new era of University funding in England commences in 2012/13 and as a result the University has to earn its income in a more direct way with reducing reliance on block grants and accompanying tolerance bands which have previously insulated the sector from marginal changes to student demand, protected those with weaker brands and inhibited those with stronger brands. The University expects to capitalise on domestic market deregulation by taking advantage of the new opportunities this presents.

From 2012/13 the number of students an institution is allowed to recruit who enter with A-Level grades 'AAB' (and certain defined equivalents) has been completely deregulated. The number of such students was expected to increase at national level and, to ensure higher levels of student financial support could be afforded, the total teaching grant available nationally was reduced to fund expected increases in cost to the public purse. In fact the number of AAB students in the UK reduced. This effect was compounded by the number of students who applied in 2011 and didn't defer entry into 2012, preferring to enter HE under the old fee regime. This has the effect of artificially boosting intake levels in 2011 and artificially reducing intake levels in 2012. As a result of all these factors the total number of students admitted to UK universities fell in 2012. Exeter was not immune from these trends and as a result fell short of its student intake target for home/EU undergraduates. However, it exceeded its targets for international recruitment and overall the shortfall in home/EU student numbers will be accommodated within budgeted contingency provisions and offsetting income streams.

The Forum project marked the completion of 'tranche 1' of the University's capital investment programme, and 'tranche 2', worth £100m, is currently underway. Council

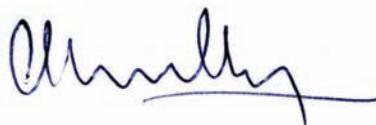
is currently considering the 'tranche 3' phase of capital investment which is likely to include new science facilities as well as upgrading existing building stock to increase teaching and research capacity, improve environmental performance and ensuring such facilities meet student expectations in the new £9,000 world. In order to fund this investment, future borrowing is likely to increase.

The formal creation of the University's Medical School in August 2012, with its first intake in October 2013, presents huge opportunities as well as bringing logistical challenges. Following the agreement with Plymouth University to wind down the Peninsula College of Medicine and Dentistry (PCMD) from August 2012, the two universities also face the challenge of delivering the 'teach through' of existing PCMD students who will complete their medical programmes and earn a joint award of the two universities, finally graduating in the summer of 2017.

As a newly admitted Russell Group member, the Sunday Times 2012-13 University of the Year, being ranked in the UKs top-ten by The Times, Guardian and Sunday Times and placed in the world's top-200 by the two leading international league tables, the University is exceptionally well placed to meet future challenges.

GOING CONCERN

Council approved 5-year financial forecasts, including income and expenditure, balance sheet, capital investment, cash flow and liquidity in May 2012. The 2011/12 financial outturn exceeded its forecasts for the year. Despite the shortfall in student recruitment in 2012/13 referred to above, Council is confident that it will be able to meet all its financial obligations, cash commitments and banking covenants over the next 12 months and will continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared and approved by Council on a going concern basis.



Andrew Connolly
Director of Finance

27 November 2012

PUBLIC BENEFIT STATEMENT

The University's Royal Charter sets out the University of Exeter's charitable objectives which are essentially the advancement of education. Our Mission Statement sets out how we act for the benefit of the public:

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

"We transform lives through the power of higher education.

The effect of a university education on students is transformational. The University of Exeter is committed to an extensive programme of reaching out to students of all backgrounds, to help them recognise the benefits of higher education and to encourage them to aspire to gain a place at university. The University's admissions policy takes account of students' backgrounds by contextualising their attainment. Its aim is to admit aspiring students from all echelons of society and encourage them to achieve great things.

Six months after graduation 72.9% of the University's first degree graduates from 2009/10 were in graduate level employment or further study. An early analysis of the 2010/11 Destination of Leavers from Higher Education sector results shows that University's graduate destinations score has risen by 1.7% to 74.6%. This has resulted in a jump of two places to 21st in the sector and two places in the Top 10 Competitor Group.

For more than a decade the University has been working at the leading edge of a widening participation and fair access policy. In 2011/12 the Realising Opportunities programme, involving the University of Exeter, won the prize for 'Widening Participation Initiative of the Year' at the Times Higher Education Awards.

In 2011/12 the University set aside £5 million to fund outreach activities and means-tested bursaries for undergraduate students from poorer backgrounds. This provision represented 5.3% of gross tuition fee income and 13.2% of Home/EU undergraduate fee income. A total of 2,933 students received means tested support in 2011/12, representing 29% of Home/EU undergraduate students. Under the new funding regime being introduced

in 2012/13, the bursary schemes are being expanded to provide further support and we will be introducing means-tested fee waivers as part of the National Scholarship Programme. Students can also apply for a number of course specific scholarships and merit based scholarships in music and sport.

Outreach activity sees trained Exeter student ambassadors and staff going out to schools to help raise the aspirations of students from under-represented groups and to improve their awareness of higher education. Students from target schools are invited to attend a range of on-campus activities covering a variety of subject areas throughout the year. In March 2012 as part of National Science and Engineering week the University offered schools across Devon and Cornwall the opportunity to borrow an undergraduate scientist to assist and inspire the next generation of scientists.

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

...A leading international university,

The University of Exeter is one of the top 200 universities in the world according to the Times Higher Education's World University Rankings. Its vision is to be a leading international university, recognised for the quality of its global research and the distinctiveness of its student experience. During the year it has developed a new internationalisation strategy, International Exeter, which will create imaginative and attractive opportunities for students and staff to experience the benefits of internationalisation.

The University's international student numbers are growing year on year, now representing more than a quarter of the student UG population for 2011/12. Recruiting

international students both raises the profile of Exeter around the world and contributes to the local and national economy. A report published during the year by Oxford Economics, documents how international students at the University contribute over £88 million a year to Exeter's GDP and support 2,880 jobs, which is equivalent to 2.8% of all employment in the city. In the wider region, international students from the University's campuses in Exeter and Cornwall, contribute over £104 million each year to the South West economy, supporting 3,280 jobs.

In addition to recruiting and educating international students we attract students from more than 130 different countries and currently employ staff from around 75 countries leading to wider diversification of social cultures e.g. the celebration of Chinese New Year.

The University seeks to build international partnerships with leading universities around the world. Links have been established with universities in China, India and the United States with the intention of delivering student and staff exchanges and joint research initiatives. The University now has representation in Bangalore, Shanghai and Beijing.

...we undertake groundbreaking research

The University seeks to undertake research which has a distinctive and measurable impact on society. There is a focus on translational research so that discoveries are used for the benefit of society. During the year, the University of Exeter accepted an invitation to join the Russell Group of leading research-intensive universities which are committed to maintaining the very best research, an outstanding teaching and learning experience, and unrivalled links with business and the public sector.

The University has an outstanding foundation with world-class research in all of its subject areas. During the year, £49.9m of research income was received and this is forecast to increase significantly over the next five years. The University's research environment is being enriched with investment of over £230m in infrastructure and staff. This includes new laboratories and equipment for science research, and redeveloped library and seminar spaces for humanities and the social sciences.

The University of Exeter researchers continue to make major contributions in a wide range of disciplines including climate change, the effects of endocrine-disrupting chemicals found in rivers, Arab, Islamic and Middle East studies, religious history, extrasolar planets, diabetes, and marine renewable energy. Every year University of Exeter staff work on around 1,000 projects with businesses to provide smart solutions to global, national and local challenges. Some of our major partners include the Met Office, BT and Shell. For further research case studies see www.exeter.ac.uk/research/excellence/

At the University's Cornwall Campus the Environment and Sustainability Institute (ESI) is working with businesses in Cornwall, the Isles of Scilly and beyond to translate research and expertise into innovative business practices, products and services in order to respond to the challenges of environmental change.

Research carried out at the University of Exeter has wide ranging impacts which bring benefits to health, society, the economy and the creative and cultural sectors at home and overseas.

...and deliver a world-class student experience.

In April 2012 the University was commended in the Quality Assurance Agency's institutional review for the enhancement of student learning opportunities. This is great recognition of all the work that has been accomplished on student engagement. The review also confirmed that the University's academic standards and the quality of students' learning opportunities meet UK objectives, and identifies some key initiatives as good practice.

The University has a student-focused philosophy which results in very high levels of student satisfaction. The University of Exeter is a consistent top 10 performer in the National Student Survey, ranking 6th out of all 'full service' universities in 2012.

In 2012 student numbers grew to 18,817 of which 4,376 were postgraduates: some 67% came from state schools and 33% from independent schools. Students are active in their local communities providing thousands of hours of

PUBLIC BENEFIT STATEMENT

volunteering a year which is aimed at helping local elderly, disadvantaged and disabled people. The University, the Students Guild in Exeter, and Falmouth and Exeter Students' Union (FXU) in Cornwall, work hard to integrate students into the local community through the use of special community wardens, residents' liaison groups and educational programmes around issues such as late night noise and refuse collection.

The University offers fantastic opportunities for students to increase their employability through work experience, student business projects and volunteering opportunities. The University's students are involved in various fundraising campaigns contributing to external charities. In 2010/11 students raised more than £62,000 as part of RAG activities for charities such as Macmillan Cancer Support. In Cornwall during 2010/11 students have undertaken in excess of 266 volunteer days with charities ranging from Surfers Against Sewage and the Monkey Sanctuary to Friends of the Earth.

The University enjoys links with hundreds of international, national and regional companies and organisations, with many of them specifically targeting Exeter graduates. This has been further enhanced by the creation of the Career Zone, a new student employability centre, within the Forum, at Exeter. In Cornwall, The Exchange, a £10m learning, teaching and research hub has transformed the student experience, providing access to the full spectrum of academic and support services in one space.

New arrangements have been put in place to provide clearer pathways and opportunities, with published criteria, for staff concentrating on education and scholarship to achieve promotion in parity with colleagues whose specialist area is research. These developments complement the launch of ASPIRE, which supports staff in both these academic job families (and appropriate staff in Professional Services) towards accreditation of their professional development as higher education teachers with the Higher Education Academy. These initiatives are part of the University's Education Strategy to give greater recognition

to education and scholarship activity in order to enhance students' learning experience at the University of Exeter.

...in a campus environment of outstanding natural beauty".

All three of the University's campuses (Streatham, St Luke's and the Cornwall Campus) are set in physically attractive environments. Streatham Campus is itself a beautiful 1860s arboretum, with hundreds of magnificent trees from all continents.

The University of Exeter is committed to the principles and practice of environmental sustainability in its activities throughout the institution. It aims to reduce the environmental impact of its operational activities and make a positive contribution to the local environment, through the management of its estate.

The University of Exeter has been recognised as one of the 'greenest' universities, attaining a First Class Award in the People & Planet Green League 2012. The University is nearing completion of a £350 million investment programme and uses the BRE Environmental Assessment Method (BREEAM) as a tool for delivering sustainable buildings. All of its new developments will achieve "BREEAM Excellent", including its flagship new £50 million student services centre, the Forum, which was opened by Her Majesty The Queen and His Royal Highness The Duke of Edinburgh on 2 May 2012. The Environment and Sustainability Institute at the Cornwall Campus is designed to achieve "BREEAM Outstanding"⁶.

The capital programme has also provided a much-needed boost for the construction sector at a time of economic uncertainty.

The University is committed to improving its environmental performance and in the latest report confirmed that its carbon emissions had fallen by 15% since 2005/06. The University's Business School became the first in the sector to become completely carbon neutral when it signed up to PAS 2060, the first independent standard for carbon

⁶ BREEAM (BRE Environmental Assessment Method) is the leading and most widely used environmental assessment method for buildings. 'Outstanding' is the highest classification.

neutrality. The University also runs various University-wide sustainability campaigns such as Green Impact, Birds and Bees and Degrees Cooler. Further information can be found on the sustainability website www.exeter.ac.uk/sustainability/

Council confirms that it is aware of its duties with regard to public benefit and is conversant with the Charity Commission guidance in this area. It has observed the Charity Commission guidance on public benefit when setting objectives, planning future activities and in writing the above statement.

CORPORATE GOVERNANCE AND STATEMENT OF INTERNAL CONTROL

INTRODUCTION

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

PRINCIPLES OF OPERATION

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

LEGAL STATUS OF THE UNIVERSITY

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

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

GOVERNANCE

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

- **The Council** – is the supreme governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. Council comprises 20 members, the majority of whom are drawn from outside the University, described as lay members. Council members are the trustees of the Charity. The Chair of Council is drawn from the lay membership. Representatives of staff and the student body are also members. No member of Council

receives payment for fulfilling the role of member, although out of pocket expenses are payable. The secretary of Council is the Registrar and Deputy Chief Executive. Council met five times during 2011/12.

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

The Committee met three times during the financial year.

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

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

- **The Audit Committee** – is appointed by Council and consists of six members with no executive responsibility for the management of the University. Its Chair is the Pro-Chancellor (Finance). The Committee is authorised to investigate any activity and seek any information it requires from any employee. The Committee is responsible for reviewing and commenting on the University's financial statements along with its arrangements for governance, internal control, risk

CORPORATE GOVERNANCE AND STATEMENT OF INTERNAL CONTROL

management and for data quality. The Committee considers detailed reports from the University's external and internal auditors. It meets four times a year with the University's senior officers and the external and internal auditors in attendance. At least once a year the Committee meets the auditors without the University officers present.

- **The Council Nominations Committee** – is responsible for making recommendations to Council in relation to nominations for the posts of Chancellor, Pro-Chancellor and Chair of Council. It also makes recommendations in relation to the nominations for external members of Council, to other Council committees and to joint Senate and Council committees as well as Trusts associated with the University. The Committee comprises five lay members, three of whom are drawn from the University's Pro-Chancellors, the Vice-Chancellor and the Senior Deputy Vice-Chancellor.
- **The Remuneration Committee** – is responsible for setting the remuneration of all senior staff including the Registrar, the Vice Chancellor's Executive Group (VCEG), Deans of Colleges, Professors and senior staff within the Professional Services. The Committee comprises five lay members and is chaired by the Chair of Council. The Vice-Chancellor and the Senior Deputy Vice-Chancellor attend meetings but no member of staff is present for the discussion of their own remuneration. The Committee meets twice per year.

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

DUAL ASSURANCE

The University's business is governed through a mechanism known as dual assurance operating in nine business areas: finance and investment; research; human resources and health and safety; equality and diversity; infrastructure and capital programme; environmental sustainability; education; internationalisation; strategic communications and information technology. The dual assurance partnership in each of these business areas involves two people – a member of the Vice-Chancellor's Executive Group and a lay member of Council.

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

MANAGEMENT

Vice-Chancellor and Chief Executive

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general



The Exchange. University of Exeter, Cornwall Campus

CORPORATE GOVERNANCE AND STATEMENT OF INTERNAL CONTROL

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.

The Vice-Chancellor's Executive Group comprise the senior management team of the University. Led by the Vice-Chancellor and Chief Executive, it comprises the Registrar and Deputy Chief Executive, four Deputy Vice-Chancellors, the Deputy Registrar and Director of Academic Services, and the Directors of Campus Services, Finance and Human Resources.

Colleges and Professional Services

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

Professional Services, led by the Registrar and Secretary and Deputy Chief Executive, covers all administrative, academic and student support services and facilities management within the University.

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 HEFCE.

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to ensure they are managed. This process has been in place for the year ended 31 July 2012 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 (at least four times a year) to consider the plans and strategic direction of the institution and receives periodic reports from the Chair of Audit Committee concerning internal control and the minutes of Audit Committee.

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

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

The review of the effectiveness of the system of internal control is informed by the internal audit team which operates to standards defined in the HEFCE Audit Code of Practice and which was last externally reviewed for effectiveness by the HEFCE Audit Services in July 2009.

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

Internal Financial Control

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

- clear definitions of the responsibilities of, and the authority delegated to, Deans of Colleges and Directors of Professional Services;
- experienced and suitably qualified staff who take responsibility for the finance and control functions within the University and its subsidiary companies;
- a comprehensive medium and short term planning process supplemented by detailed annual income, expenditure and capital budgets and cash flow forecasts;
- 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;
- 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, corporate governance and management of risk; and
- a treasury and investment management policy.

Council's review of the effectiveness of the system of internal financial control is informed by the work of the internal

auditors, the Audit Committee, the individual members of staff within the University who have responsibility for the development and maintenance of the financial control framework and comments made by the External Auditors in the management letter and in other reports.

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

DISABLED EMPLOYEES

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

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

REGISTER OF INTERESTS

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

FURTHER INFORMATION

Enquiries about the constitution and governance of the University should be addressed to the Registrar and Deputy Chief Executive.

RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY

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

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

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

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

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

- ensure that funds from the Higher Education Funding Council for England (HEFCE) and the Teaching Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Higher Education Funding Council and the funding agreement with the Teaching 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.

The Corporate Governance Statement and Responsibilities of the Council of the University on pages 12 to 16 were approved by Council on 27 November 2012 and signed on its behalf by:



S. Turvill – Chair of Council



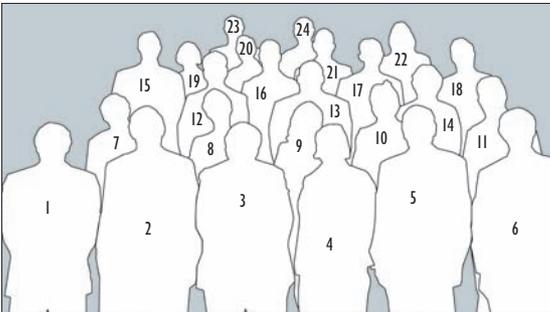
Professor Sir S. Smith – Vice-Chancellor and Chief Executive

MEMBERSHIP OF COUNCIL



MEMBERS OF COUNCIL *

From left to right



Front row:

- 1 Professor Neil Armstrong *
- 2 Mr David Allen OBE
- 3 Professor Sir Steve Smith *
- 4 Miss Sarah Turvill *
- 5 Mr Peter Lacey *
- 6 Mr Richard Hughes *

Second row:

- 7 Sir Robin Nicholson *
- 8 Dr Sarah Buck *
- 9 Ms Judy Hargadon *
- 10 Dame Suzi Leather *
- 11 Mr Marc Jordan *

Third Row:

- 12 Mr Pete Hodges *
- 13 Mr Nick Davies *
- 14 Ms Sally Wilcox *

Fourth Row:

- 15 Professor Nick Talbot
- 16 Professor Stephen Rippon *
- 17 Mr Nicholas Bull *
- 18 Mr Andrew Connolly

Fifth Row:

- 19 Ms Bettina Rigg *
- 20 Ms Michele Shoebridge
- 21 Professor Mark Overton
- 22 Professor Janice Kay *

Top Row:

- 23 Mr Geoff Pringle
- 24 Mr John Allwood *

Not featured:

Professor Debra Myhill *
Professor Ken Evans

Mr K R Seal (Chair)
Mrs S Turvill (Chair)
Mr P Lacey
Mr R M P Hughes
Professor Sir S M Smith
Professor J M Kay
Professor N Armstrong
Mr C J Allwood
Dame S Leather
Sir Robin Nicholson
Mr M Jordan
Ms B Rigg
Mrs S Buck

retired 31 July 2012
appointed 1 August 2012

Mr N Bull
Ms J Hargadon
Professor S J Rippon
Mr P Hodges
Mrs S Wilcox
Professor D Myhill
Mr N Davies
Mr M Choules
Professor S Banducci
Lady Studholme
Mr N Davis

appointed 1 August 2012
appointed 1 August 2012
appointed 1 August 2012
appointed 1 August 2012
appointment ended 31 July 2012
appointment ended 31 July 2012
retired 31 July 2012
appointed 1 August 2011;
appointment ended 31 July 2012

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF EXETER

We have audited the group and University financial statements (the "financial statements") of the University of Exeter for the year ended 31 July 2012 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, Note of Historical Cost Results, Statement of Consolidated Total Recognised Gains and Losses, Consolidated Balance Sheet, Balance Sheet, Consolidated Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Business Review to identify material

inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

OPINION ON OTHER MATTERS PRESCRIBED IN THE HEFCE AUDIT CODE OF PRACTICE ISSUED UNDER THE FURTHER AND HIGHER EDUCATION ACT 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes;
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF EXETER

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and group.

E. Holiday

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants, Plym House

Plymouth PL6 8LT

28 November 2012

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 2007 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. The Council's assessment of going concern has been considered within the Business Review.

2. BASIS OF CONSOLIDATION

The results of the University's subsidiary undertakings and undertakings, in which it has a controlling interest, have been consolidated in the financial statements and details of these are provided in note 12. The University's share of the results in its joint ventures has been consolidated in the financial statements and details of these and the basis of consolidation are provided in note 13.

The activities of the University of Exeter Students' Guild have not been consolidated on the grounds that the University does not operate dominant or significant influence over its activities. Details of these are provided in note 30.

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, which are attributable to the current accounting period net of discounts. The cost of any fees waived by the University is deducted from tuition fee income.

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

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 Teaching Agency (TA) and subsequent disbursement to students are excluded from the income and expenditure account and are shown separately in notes 31 to 32.

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

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.

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. Because of the mutual nature of the scheme, 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 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 28.

The University also makes contributions to the National Health Superannuation Scheme (NHSS) in respect of a small number of staff. As with the USS scheme, the assets are held in a separate trustee administered fund and, due to the mutual nature of the fund, it is accounted for as if it is a defined contribution scheme.

6. RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research and development is written off to the income and expenditure account in the year in which it is incurred.

7. 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.

8. TAXATION

The University is considered to pass the tests set out in Schedule 6 Part 1 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471 and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or Section 256 of the Taxation of

UNIVERSITY OF EXETER

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

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

9. 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 existing use value for non-specialised buildings, depreciated replacement cost for specialised buildings or, if appropriate and in certain circumstances, open market value.

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

Freehold land is not depreciated as it is considered to have an infinite 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.

A full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal.

Improvements, adaptations and remodelling of buildings are capitalised at cost and are depreciated over their remaining

useful life, subject to a maximum of 50 years, on a straight-line basis. Where expenditure incurred on the development of new premises includes the cost of fitting out the premises irrespective of the cost of individual items, this expenditure is capitalised together with the construction cost.

Finance costs directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

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

10. 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.

11. EQUIPMENT

Equipment, including computers and software, that individually has a cost equal to or greater than £25,000, and has an expected useful life of more than one year, is capitalised.

Equipment, including computers and software, that collectively has a cost equal to or greater than £25,000, where the assets are functionally interdependent or are purchased together and 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 and IT infrastructure – 4 to 8 years
- Equipment acquired for specific research projects – project life remaining (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).

12. 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.

13. HERITAGE ASSETS

Heritage assets are capitalised and recognised at the cost or value of the acquisition where such a cost or valuation

is reasonably obtainable. Where no reliable costs or value can be attributed these assets are omitted from the financial statements. Any costs of maintaining and displaying the collection are reported in the Income and Expenditure Account in the year that they are incurred.

14. CHARITABLE DONATIONS

Unrestricted donations

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

Endowment funds

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. There are three main types:

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

Donations for fixed assets

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

Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'other income' or 'deferred

UNIVERSITY OF EXETER

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

15. 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. There is no differentiation in the treatment of valuation adjustments for restricted permanent endowments that have been disposed of during the year, or valuation adjustments that relate to endowments that continue to be held at year end.

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

16. STOCK

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

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

17. CASH FLOWS AND LIQUID RESOURCES

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

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

18. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a probable, rather than virtually certain, asset arising from a past event.



UNIVERSITY OF EXETER
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2012

		Year Ended 31 July 2012		Year Ended 31 July 2011	
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	1		68,534		74,815
Tuition fees and education contracts	2		93,745		81,261
Research grants and contracts	3		49,922		46,327
Other income (incl. share of joint ventures)	4		57,328		54,784
Endowment and investment income	5		3,295		1,939
Total income including joint ventures			272,824		259,126
Less: Share of income from joint ventures	13		(15,819)		(12,956)
Total income			257,005		246,170
EXPENDITURE					
Staff costs	6		140,582		127,957
Other operating expenses	7		92,152		84,739
Depreciation	8	15,836		15,803	
Impairment of buildings	8	5		3,121	
Interest payable	9		4,967		4,883
Total expenditure			253,542		236,503
Operating surplus			3,463		9,667
Share of operating surplus in joint ventures	13		1,556		869
Surplus on continuing operations			5,019		10,536
(Surplus)/deficit for the year transferred from accumulated income in endowment funds	14		(288)		640
Surplus for the year	10		4,731		11,176
The income and expenditure account in both years is in respect of continuing activities					
NOTE OF HISTORICAL COST RESULTS					
Surplus on continuing operations			5,019		10,536
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	20		3,397		3,380
Historical cost surplus for the year			8,416		13,916

UNIVERSITY OF EXETER

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2012

	Note	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Surplus on continuing operations		5,019	10,536
Revaluation gain on tangible assets	20	1,601	51,456
Revaluation gain on tangible assets in joint venture		1,737	–
Revaluation (loss)/gain on fixed asset investments	20	(763)	1,094
(Depreciation)/appreciation of endowment asset:			
Investments	14/19	(1,497)	2,160
New endowments	14/19	813	1,290
Actuarial loss on pension scheme	28	(2,832)	(1,024)
Actuarial (loss)/gain on pension scheme in joint venture		(162)	127
Total recognised gains in the year		3,916	65,639
Reconciliation		Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Opening reserves and endowments		356,439	290,800
Total recognised gains for the year		3,916	65,639
Closing reserves and endowments		360,355	356,439

UNIVERSITY OF EXETER
BALANCE SHEETS AS AT 31 JULY 2012

	Notes	Group		University	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Fixed assets					
Tangible assets	11	575,471	542,612	575,421	542,577
Investments	12	10,386	10,447	10,596	10,657
Investments in joint ventures	13	4,735	3,147	–	–
		<u>590,592</u>	<u>556,206</u>	<u>586,017</u>	<u>553,234</u>
Endowment asset investments	14	23,488	23,884	23,488	23,884
Current assets					
Stock		493	448	488	443
Debtors	15	29,101	27,904	29,079	27,791
Investments		13,330	26,449	13,329	26,449
Cash at bank and in hand		33,085	19,705	32,306	18,943
		<u>76,009</u>	<u>74,506</u>	<u>75,202</u>	<u>73,626</u>
Creditors: amounts falling due within one year	16	(63,321)	(63,623)	(63,114)	(62,641)
Net current assets		<u>12,688</u>	<u>10,883</u>	<u>12,088</u>	<u>10,985</u>
Total assets less current liabilities		<u>626,768</u>	<u>590,973</u>	<u>621,593</u>	<u>588,103</u>
Creditors: amounts falling due after more than one year					
Provisions for liabilities	17	(122,490)	(105,721)	(122,490)	(105,721)
		–	(339)	–	(339)
Total net assets excluding pension liability		<u>504,278</u>	<u>484,913</u>	<u>499,103</u>	<u>482,043</u>
Net pension liability	28	(13,571)	(12,361)	(13,571)	(12,361)
NET ASSETS		<u>490,707</u>	<u>472,552</u>	<u>485,532</u>	<u>469,682</u>
Deferred capital grants	18	130,352	116,113	130,352	116,113
Endowments					
Expendable	19	6,105	6,318	6,105	6,318
Permanent	19	17,383	17,566	17,383	17,566
		<u>23,488</u>	<u>23,884</u>	<u>23,488</u>	<u>23,884</u>
Reserves					
Income and expenditure reserve (excl. Pension reserve)		86,539	80,195	86,123	80,409
Pension reserve		(13,571)	(12,361)	(13,571)	(12,361)
Income and expenditure reserve (incl. Pension reserve)	21	72,968	67,834	72,552	68,048
Revaluation reserve	20	263,899	264,721	259,140	261,637
Total reserves		<u>336,867</u>	<u>332,555</u>	<u>331,692</u>	<u>329,685</u>
TOTAL FUNDS		<u>490,707</u>	<u>472,552</u>	<u>485,532</u>	<u>469,682</u>

The financial statements on pages 26 to 67 were approved by Council on 27 November 2012 and signed on its behalf by:

Professor Sir S. Smith
Vice-Chancellor and Chief Executive



A Connolly
Director of Finance



UNIVERSITY OF EXETER
CONSOLIDATED CASH FLOW STATEMENT
For the year ending 31 July 2012

	Note	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Cash inflow from operating activities	22	19,317	29,714
Returns on investments and servicing of finance	23	(4,430)	(4,148)
Capital expenditure and financial investment	24	(31,675)	(44,379)
Management of liquid resources	25	13,119	(2,311)
Financing	26	17,049	9,992
Increase/(decrease) in cash in the year	27	<u>13,380</u>	<u>(11,132)</u>

Reconciliation of net cash flow to movement in net debt

		2012 £'000	2011 £'000
Increase/(decrease) in cash in the year	27	13,380	(11,132)
Cash inflow from new secured loans	26	(21,000)	(10,000)
Cash outflow from repayment of loans	26	5,009	8
Cash (inflow)/outflow from liquid resources	25	(13,119)	2,311
Movement in net debt in the year		<u>(15,730)</u>	<u>(18,813)</u>
Net debt at 1 August		(56,564)	(37,751)
Net debt at 31 July	27	<u>(72,294)</u>	<u>(56,564)</u>

NOTES TO THE ACCOUNTS

NOTE 1 FUNDING BODY GRANTS

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
HEFCE - Recurrent teaching grant	41,767	46,007
HEFCE - Recurrent research grant	18,523	18,591
HEFCE - Specific grants	2,377	3,831
TA - Recurrent grants	3,083	3,126
TA - Specific grants	93	360
Deferred capital grants released in year (note 18)	2,691	2,900
	68,534	74,815

NOTE 2 TUITION FEES AND EDUCATION CONTRACTS

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Home/EU undergraduates: full-time	37,978	35,641
Home/EU undergraduates: part-time	27	36
Home/EU postgraduates: full-time	9,545	9,848
Home/EU postgraduates: part-time	1,324	2,566
International students	40,971	30,564
Non-credit bearing courses and other tuition fees	2,099	2,360
Research Training Support Grants	1,801	246
	93,745	81,261

NOTE 3 RESEARCH GRANTS AND CONTRACTS

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Research councils	19,076	16,968
UK based charities	5,930	5,258
UK central government, local authorities, health & hospital authorities	12,068	12,913
UK industry, commerce and public corporations	3,108	3,721
European Union governments	7,632	4,892
European Union industry and other bodies	878	480
Other grants and contracts	1,230	2,095
	49,922	46,327

Included above are deferred capital grants released in the year of £0.8m (2011: £1.7m) (see note 18).

NOTE 4 OTHER INCOME

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Residences, catering and conferences	22,206	21,790
Other services rendered		
Validation fees	79	66
UK central government, local authorities and health	306	448
Others	931	1,085
Income from health authorities	3,286	2,075
Other operating income		
Other external grants	2,642	2,234
Summer schools, fair and degree day income	375	458
Donations and other fundraising	1,115	2,305
Erasmus	758	883
Sports and swimming pools	1,449	1,306
Externally recharged staff time	832	133
Supplies and services to external customers	3,274	3,189
Rental income and room hire	853	1,047
Falmouth Exeter Plus Limited	7,205	6,255
INTO University of Exeter LLP	8,614	6,701
Release of deferred capital grants (note 18)	1,214	1,583
Other income	2,189	3,226
	<u>57,328</u>	<u>54,784</u>

NOTE 5 ENDOWMENT AND INVESTMENT INCOME

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Income from expendable endowments (note 19)	1,048	347
Income from permanent endowments (note 19)	470	557
Income from short term investments	439	334
Income from fixed asset investments	128	213
Surplus on disposal of fixed asset investments	617	80
Net credit on pension scheme funds (note 28)	485	341
Other interest receivable	108	67
	<u>3,295</u>	<u>1,939</u>

The interest receivable from group undertakings that are not subsidiaries in the current year amounted to £Nil (2011: £900).

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 2012 Number	Year Ended 31 July 2011 Number
Academic staff	686	656
Research staff	429	367
Teaching fellows	184	149
Occasional lecturers	72	62
Support staff	1,870	1,713
Casuals	149	144
Total	3,390	3,091

Staff costs for the above persons:

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Salaries and wages	117,136	106,921
Social security costs	8,475	7,642
Pension costs (note 28)	14,971	13,394
	140,582	127,957

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Emoluments of the Vice-Chancellor and Chief Executive:		
Non-performance related remuneration (including benefits in kind)	280	265
Performance related remuneration	54	53
Pension contributions to USS	52	51
	386	369

Emoluments for senior staff are determined by the Remuneration Committee as set out in the Corporate Governance and Internal Control Statement on page 12. The Vice-Chancellor declined to accept part of the increased remuneration awarded to him by the Remuneration Committee for 2011/12.

Lay members do not receive payment, apart from the reimbursement of expenses, for fulfilling their role as members of the governing body. Reimbursement of expenses amounted to £7,992 (2011: £9,000).

NOTE 6 STAFF COSTS (cont.)

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

	Year Ended 31 July 2012	Year Ended 31 July 2011
£100,000 - £109,999	15	17
£110,000 - £119,999	9	2
£120,000 - £129,999	7	3
£130,000 - £139,999	4	4
£140,000 - £149,999	3	1
£150,000 - £159,999	3	3
£160,000 - £169,999	2	3
£180,000 - £189,999	1	1
£190,000 - £199,999	1	-
£200,000 - £209,999	-	1
£220,000 - £229,999	-	1
£240,000 - £249,999	1	-
£250,000 - £259,999	1	-
£310,000 - £319,999	-	1
£330,000 - £339,999	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 2012 £'000	Year Ended 31 July 2011 £'000
Residences, catering and conferences	11,427	11,650
Rents and rates	1,097	1,024
Heat, light, water and power	2,051	2,529
Repairs and general maintenance	6,310	5,798
Laboratory equipment and consumables	5,892	4,911
IT hardware, software and licences	1,652	1,720
Other equipment	7,414	6,546
Books and periodicals	3,506	2,943
Non-contract staff and external examiners	5,451	5,282
Administrative costs including postage and telephones	3,433	3,025
Insurances	547	619
Publicity, publications and student recruitment	3,355	2,611
Travel, accommodation, subsistence and hospitality	9,234	8,018
Fellowships, scholarships and prizes	16,059	14,847
Field courses and other student support	4,743	4,969
Legal, professional and consultancy fees	4,208	3,817
Auditor's remuneration	63	67
Auditor's remuneration in respect of non-audit services	13	21
Cornwall Campus premises, academic support and administrative costs	3,186	2,901
Other expenses	2,511	1,441
	92,152	84,739

Included within legal, professional and consultancy fees is the internal audit fee for the University of £101,000 (2011: £82,000).

Included within Auditor's remuneration is the external audit fee for the University of £51,000 (2011: £55,000).

Included within heat, light, water and power is the release of a provision held that is no longer required of £1.26m (2011: £Nil).

NOTE 8 ANALYSIS OF EXPENDITURE BY ACTIVITY**2011/12**

	Staff Costs £'000	Other Operating Expenses £'000	Depreciation/ Impairment £'000	Interest Payable £'000	Total £'000
Academic colleges	75,862	16,374	1,833	1	94,070
Academic services	13,508	9,580	2,556	–	25,644
Administration and central services	19,800	28,588	208	–	48,596
Premises	6,728	10,233	8,034	2,020	27,015
Residences, catering and conferences	5,924	11,427	2,379	2,946	22,676
Research grants and contracts	19,897	15,950	831	–	36,678
Other expenses – FRS17 adjustment	(1,137)	–	–	–	(1,137)
	140,582	92,152	15,841	4,967	253,542

The depreciation charge has been funded by:

Deferred capital grants released – buildings (note 18)	2,399
Deferred capital grants released – equipment (note 18)	2,337
Revaluation reserve released (note 20)	3,397
General income	7,703
	15,836

The impairment charge has been funded by:

General income	5
	15,841

2010/11

	Staff Costs £'000	Other Operating Expenses £'000	Depreciation/ Impairment £'000	Interest Payable £'000	Total £'000
Academic colleges	67,577	15,217	1,341	–	84,135
Academic services	12,043	7,958	2,189	–	22,190
Administration and central services	18,264	25,397	204	–	43,865
Premises	5,914	10,993	10,098	1,986	28,991
Residences, catering and conferences	5,787	11,650	3,138	2,897	23,472
Research grants and contracts	19,782	13,524	1,954	–	35,260
Other expenses – FRS 17 adjustments	(1,410)	–	–	–	(1,410)
	127,957	84,739	18,924	4,883	236,503

NOTES TO THE ACCOUNTS

NOTE 8 ANALYSIS OF EXPENDITURE BY ACTIVITY (cont.)

The depreciation charge has been funded by:

Deferred capital grants released – buildings	3,020
Deferred capital grants released – equipment	3,205
Revaluation reserve released	3,380
General income	6,198
	<u>15,803</u>

The impairment charge has been funded by:

General income	3,121
	<u>18,924</u>

NOTE 9 INTEREST PAYABLE

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
On bank loans and overdrafts:		
Repayable wholly or partly in more than 5 years	4,967	4,883
	<u>4,967</u>	<u>4,883</u>

NOTE 10 SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

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

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
University's surplus for the year on continuing operations	4,289	9,606
Surplus generated by subsidiary undertakings and joint ventures	730	930
Consolidated surplus on continuing operations	<u>5,019</u>	<u>10,536</u>
(Surplus)/deficit for the year transferred from accumulated income in endowment funds (note 14)	(288)	640
Consolidated surplus for the year	<u>4,731</u>	<u>11,176</u>

NOTE 11 TANGIBLE FIXED ASSETS

Group	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 August 2011	498,325	37,354	42,302	577,981
Prior year reclassification	(12,200)	12,200	–	–
Restated	486,125	49,554	42,302	577,981
Additions	23,664	14,813	8,961	47,438
Disposals	(304)	–	(731)	(1,035)
Surplus on revaluation	1,601	–	–	1,601
Impairment – reclassification	(6,750)	–	–	(6,750)
At 31 July 2012	504,336	64,367	50,532	619,235
Depreciation				
At 1 August 2011	11,499	579	23,291	35,369
Prior year reclassification	(19)	19	–	–
Restated	11,480	598	23,291	35,369
Charge for the year (note 8)	9,536	788	5,512	15,836
Impairment – historic cost (note 8)	5	–	–	5
Impairment – reclassification	(6,750)	–	–	(6,750)
Disposals	(303)	–	(393)	(696)
At 31 July 2012	13,968	1,386	28,410	43,764
Net Book Value				
At 31 July 2012	490,368	62,981	22,122	575,471
At 31 July 2011	486,826	36,775	19,011	542,612
Financed by capital grant	79,987	42,638	7,727	130,352
Other	410,381	20,343	14,395	445,119
At 31 July 2012	490,368	62,981	22,122	575,471

- a) At 31 July 2012 freehold and leasehold land and buildings included £31.0 million (2011: £49.4 million) in respect of buildings under construction.
- b) Included in the cost of freehold land and buildings is £1.1 million bank loan interest payable that has been capitalised. This has been calculated at the loan interest rate of 5.88%. These finance costs are directly attributable to the construction of student residences and were capitalised as part of the cost of those assets whilst they were in the course of construction. There has been no capitalisation of interest payable in the current or prior year.
- c) Long leasehold land and buildings comprise the University owned buildings on the Cornwall Campus, which were acquired under a 125 year lease (116 years remaining).

NOTES TO THE ACCOUNTS

NOTE 11 TANGIBLE FIXED ASSETS (cont.)

- d) During the year the Forum building on the Streatham Campus was completed. A valuation has been performed of this building as at the 31 July 2012, revaluations on the associated buildings (Devonshire House, the Old library and the New library) were also performed and these have been brought onto the balance sheet at the completion of the overall project. A £5,000 historic cost impairment has been recognised in relation to the project. Included within the freehold additions are two investment properties which have been built as part of the Forum development. These have been valued at their market value of £1.5m as at the 31 July 2012.
- e) The Mood Disorders Centre was completed during the year and this was revalued as at the 31 July 2012.
- f) The prior year balances have been adjusted after an internal review of the land and buildings register which resulted in reclassifications of some of the prior year additions between freehold and long leasehold. A further amendment was also made in relation to the treatment of the Geoffrey Pope impairment in prior year.

University	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 August 2011	498,325	37,354	42,070	577,749
Prior year reclassification	(12,200)	12,200	–	–
Restated	486,125	49,554	42,070	577,749
Additions	23,664	14,813	8,924	47,401
Disposals	(304)	–	(732)	(1,036)
Surplus on revaluation	1,601	–	–	1,601
Impairment – reclassification	(6,750)	–	–	(6,750)
At 31 July 2012	504,336	64,367	50,262	618,965
Depreciation				
At 1 August 2011	11,499	579	23,094	35,172
Prior year reclassification	(19)	19	–	–
Restated	11,480	598	23,094	35,172
Charge for the year	9,536	788	5,489	15,813
Impairment – historic cost	5	–	–	5
Impairment – reclassification	(6,750)	–	–	(6,750)
Disposals	(303)	–	(393)	(696)
At 31 July 2012	13,968	1,386	28,190	43,544
Net Book Value				
At 31 July 2012	490,368	62,981	22,072	575,421
At 31 July 2011	486,826	36,775	18,976	542,577

NOTE 11 TANGIBLE FIXED ASSETS (cont.)

The University adopts the policy of revaluing land and buildings every 5 years. The external Chartered Surveyors, Jones Lang LaSalle, performed a full valuation as at 31 July 2011 on the basis of Existing Use Value or Depreciated Replacement Cost according to the nature and use of each building. This valuation has been prepared in accordance with the Valuation Standards published by the Royal Institution of Chartered Surveyors.

The valuations at 31 July 2011 were as follows:

	Group & University £'000
Freehold land and buildings	445,221
Long leasehold land and buildings	36,775

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

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

	Group £'000	University £'000
Freehold land and buildings	243,090	243,195
Long leasehold land and buildings	28,359	28,359

As noted above, further valuations were performed by Jones Lang LaSalle as at the 31 July 2012 on the buildings that were completed during the year, the Mood Disorders Centre and the Forum and associated buildings. The valuation as at 31 July 2012 for these additions of £76.5m was for freehold land and buildings and compares to the historical cost net book value of £56.2m.

Heritage Assets

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

NOTES TO THE ACCOUNTS

NOTE 12 INVESTMENTS

	Group		University	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Fine art collection	1,811	1,811	1,811	1,811
Library special collection	2,728	2,728	2,728	2,728
Listed investments	5,744	5,831	5,744	5,831
Subsidiary undertakings	–	–	210	210
Other investments	103	77	103	77
	10,386	10,447	10,596	10,657

The University's fine art collection of paintings, drawings, sculptures, furniture, silverware and ceramics were professionally valued during the year ended 31 July 2011 by external Fine Art Auctioneers and Valuers, Messrs. Bearnès Hampton and Littlewood, on an open market value basis. The amount of the valuation, plus a piano valued separately at £75,000, is included above.

The University's library special collections were also professionally valued during the year ended 31 July 2011 by external Fine Art Auctioneers and Valuers, Messrs. Bearnès Hampton and Littlewood, on an open market value basis. The amount of the valuation is detailed above.

The listed investments are comprised of quoted stocks, the majority of which are managed by our external investment managers. During the year the University changed its investment managers to J.P. Morgan International Bank Ltd. These investments have been valued as at 31 July 2012.

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

<i>Directly owned Indirectly owned</i>	Group Holding	Shareholding	Principal business activity
UOE Consulting Limited (Formerly Exeter Enterprises Limited)	100%	60,110 Ordinary £1	Consultancy activities
UEC Enterprises Limited	100%	1,000 Ordinary £1	Consultancy activities
Peninsula Innovations Limited	100%	2 Ordinary £1	Property management
ESI Enterprises Limited	100%	1 Ordinary £1	Dormant
Exeter ISC Limited	100%	100 Ordinary £1 and 149,900 Redeemable preference £1	Holding company of INTO Exeter LLP
The Exeter Northcott Theatre Company	100%	Limited by guarantee	Theatre company

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

NOTE 12 INVESTMENTS (cont.)

Other investments of the University comprise the following:

<i>Name</i>	<i>Holding</i>
Auxetix Limited	107,143 Ordinary £0.001 shares
Curzon 1011 Limited	1 Ordinary £1 shares
CVCP Properties Plc	37,355 Ordinary £1 shares
Exeter Nanobacteria Limited	400 Ordinary £0.10 shares
Exeter Science Park Limited	5,217 Ordinary £10 shares
Industrial Tomography Systems Plc	249,564 Ordinary £0.01 shares
Simpleware Limited	100 Ordinary £1 shares
Skipworth Engelhardt Asset	
Management Strategists Limited	152 Ordinary "A" £1 and 405 Deferred £1 shares
Trireme Systems	287 Series B preferred stock \$0.01

The Exeter University Foundation

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

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

Development and Alumni Relations continue to work to generate philanthropic financial and non-financial support for the University.

NOTES TO THE ACCOUNTS

NOTE 13 INVESTMENT IN JOINT VENTURES

Falmouth Exeter Plus Limited

The University holds a 50% share of Falmouth Exeter Plus Limited (previously Tremough Campus Services Limited), a company limited by guarantee, having no share capital and is an exempt charity. Falmouth Exeter Plus Limited (FX+ Ltd) is a joint venture company owned equally by the University and University College Falmouth. FX+ Ltd is a separate entity, but a linked charity of the University.

FX+ Ltd has been established to operate student and commercial services for the Combined Universities in Cornwall campus at Tremough in Penryn.

Tremough Development Vehicle Limited (TDV) is a wholly owned subsidiary of FX+ Ltd. It has been established to provide the construction of the main campus for the Combined Universities in Cornwall.

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

INTO University of Exeter LLP

The University holds a 100% share of Exeter ISC Limited. Exeter ISC Limited, in turn, 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. Its principal place of business is INTO Building, Stocker Road, Exeter, EX4 4PY.

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

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

	Group	
	2012	2011
	£'000	£'000
The University's share in its joint ventures are as follows:		
Share of income:		
Falmouth Exeter Plus Ltd	7,205	6,255
INTO University of Exeter LLP	8,614	6,701
	15,819	12,956
Share of operating surplus:		
Falmouth Exeter Plus Ltd	219	190
INTO University of Exeter LLP	1,337	679
	1,556	869

NOTE 13 INVESTMENT IN JOINT VENTURES (cont.)

	2012	2011
	£'000	£'000
Share of statement of recognised gains and losses:		
Falmouth Exeter Plus Ltd	1,575	127
INTO University of Exeter LLP	–	–
	1,575	127
Share of gross assets:		
Falmouth Exeter Plus Ltd	36,744	30,178
INTO University of Exeter LLP	7,244	6,847
	43,988	37,025
Share of gross liabilities:		
Falmouth Exeter Plus Ltd	(33,062)	(28,289)
INTO University of Exeter LLP	(6,191)	(5,589)
	(39,253)	(33,878)
Share of net assets:		
Falmouth Exeter Plus Ltd	3,682	1,889
INTO University of Exeter LLP	1,053	1,258
	4,735	3,147

NOTE 14 ENDOWMENT ASSET INVESTMENTS – Group and University

	2012	2011
	£'000	£'000
Balance at 1 August	23,884	21,074
New endowments invested	813	1,290
(Decrease)/Increase in market value of investments	(1,497)	2,160
Increase/(Decrease) in cash balances held for endowment funds	288	(640)
Balance at 31 July	23,488	23,884
The investments comprise:		
Fixed interest stocks	6,276	5,197
Equities	13,730	14,994
Property	–	459
Alternative investments	2,455	276
Bank balances	1,027	2,958
	23,488	23,884

NOTES TO THE ACCOUNTS

NOTE 15 DEBTORS

	Group		University	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts falling due within one year:				
Debtors	8,583	7,634	8,143	7,351
Prepayments and accrued income	18,340	16,346	18,330	16,315
Amounts owed by group undertakings:				
Subsidiary companies	–	–	428	201
Related parties	2,178	1,924	2,178	1,924
	<u>29,101</u>	<u>25,904</u>	<u>29,079</u>	<u>25,791</u>
Amounts falling due after more than one year:				
Debtors	–	2,000	–	2,000
	<u>29,101</u>	<u>27,904</u>	<u>29,079</u>	<u>27,791</u>

In prior year debtors falling due after more than one year, there was an amount of £2m that related to deposits previously placed with Landsbanki Islands hf. In the current year the value of the net debt is £Nil. This comprises a debtor of £1.5m (2011: £2.5m) less a provision of £1.5m (2011: £0.5m).

On 7 October 2008 Landsbanki Islands hf issued a statement that it had gone into receivership and, like all other Icelandic banks taken into Icelandic Government control, all payments in and out of the bank were stopped.

To date, the University has received payments of £1m. Based on our most recent professional advice, the University of Exeter and PCMD have taken a prudent position and assumed that the remaining balance will not be recoverable.

NOTE 16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Research grants received on account	16,960	17,855	16,960	17,855
Trade creditors	10,365	12,151	10,319	11,682
Other creditors	17,248	14,438	17,070	14,444
Social security and other taxation payable	3,292	3,165	3,291	3,163
Accruals and deferred income	11,451	13,875	11,280	13,358
Amounts owed to group undertakings:				
Subsidiary companies	–	–	519	–
Related parties	4,005	2,139	3,675	2,139
	63,321	63,623	63,114	62,641

NOTE 17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		University	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bank loans (see below)	118,690	102,690	118,690	102,690
Inherited Liability – Cornwall County Council	16	19	16	19
Other Creditors	797	–	797	–
Accruals and deferred income	2,987	3,012	2,987	3,012
	122,490	105,721	122,490	105,721

i) Bank loans – Group and University

	2012 £'000	2011 £'000
Bank loans are repayable as follows:		
- In two to five years	11,025	8,269
- In five years or more	107,665	94,421
	118,690	102,690

NOTES TO THE ACCOUNTS

NOTE 17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (cont.)

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

	Facility £'000	Interest Rate %	Repayment*	Term	2012 £'000	2011 £'000
National Westminster Bank Plc	100,000	5.54	Quarterly	35 year (to 2043)		
Tranches 1 and 2					31,779	31,779
Tranche 3		5.40	Quarterly	35 years. (to 2043)	20,230	20,230
Tranche 4		1-month LIBOR +0.18%	Quarterly	31 years (to 2043)	16,000	–
<hr/>						
Barclays Bank Plc	65,000					
Tranches 1 and 2		5.53	Quarterly	35 years (to 2043)	20,413	20,413
Tranche 3		5.41	Quarterly	35 years (to 2043)	10,268	10,268
Tranche 4		4.39	Quarterly	34 years (to 2043)	10,000	10,000
Tranche 5		1-month LIBOR +0.21%	Quarterly	32 years (to 2043)	10,000	10,000
Bank loans repayable after more than one year					118,690	102,690

* No repayments of capital were made or due during the year.

These bank loans are unsecured, however, the University has a negative pledge obligation to each of the lenders, whereby it will not grant any security over any of its assets to third parties.

The interest rate swap transaction with each bank is for the total amount of each loan drawn. Each swap transaction incorporates a fixed rate, noted in the table above, which is compared to a variable 3 month LIBOR. These swap transactions are for the term of the loans.

NOTE 18 DEFERRED CAPITAL GRANTS – Group and University

	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2011			
Land and buildings	58,671	48,697	107,368
Equipment	4,439	4,306	8,745
	63,110	53,003	116,113
Grants receivable			
Land and buildings	3,501	14,155	17,656
Equipment	933	386	1,319
	4,434	14,541	18,975
Released to Income and Expenditure Account			
Land and buildings	1,579	820	2,399
Equipment	1,112	1,225	2,337
	2,691	2,045	4,736
At 31 July 2012			
Land and buildings	60,593	62,032	122,625
Equipment	4,260	3,467	7,727
	64,853	65,499	130,352
Released to Income and Expenditure Account:			
Funding body grants			2,691
Research grants and contracts			831
Other income			1,214
			4,736

NOTES TO THE ACCOUNTS

NOTE 19 ENDOWMENTS – Group and University

		Restricted Permanent £'000	Restricted Expendable £'000	2012 Total £'000	2011 Total £'000
At 1 August:	Capital	17,110	6,251	23,361	20,687
	Accumulated income	456	67	523	387
		17,566	6,318	23,884	21,074
	New endowments	–	813	813	1,290
		–	813	813	1,290
	Investment income	470	1,048	1,518	904
	Expenditure	(229)	(1,001)	(1,230)	(1,544)
		241	47	288	(640)
	(Decrease)/Increase in market value of investments	(424)	(1,073)	(1,497)	2,160
	At 31 July	17,383	6,105	23,488	23,884
Represented by:	Capital	16,685	5,877	22,562	23,361
	Accumulated income	698	228	926	523
		17,383	6,105	23,488	23,884

The University does not hold any endowments classed as unrestricted permanent.

Represented:

	2012 £'000	2011 £'000
Trustees Security Pool	3,561	3,630
Institute for Arab and Islamic Studies	14,533	14,691
PCMD Vandervell	999	1,028
Fundraising	4,395	4,535
	23,488	23,884

Trustees Security Pool

The Trustees Security Pool holds historic endowments that are used for scholarships, prizes and general support.

Institute for Arab and Islamic Studies Fund (IAIS)

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

PCMD Vandervell Fund

This endowment is earmarked for postdoctoral Fellowships within the Medical School.

Fundraising Fund

Fundraising is a general pool that is used for any new endowments that are received. The endowment income is used for scholarships, prizes and general support.

NOTE 20 REVALUATION RESERVE**Group**

	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
At 1 August 2011	258,068	6,653	264,721
Revaluation in the year			
Fixed assets – Land and Buildings	3,338	–	3,338
Fixed assets investments – Quoted shares	–	(763)	(763)
	<u>3,338</u>	<u>(763)</u>	<u>2,575</u>
Transfer from revaluation to general reserve:			
Depreciation on re-valued assets	(3,397)	–	(3,397)
	<u>(3,397)</u>	<u>–</u>	<u>(3,397)</u>
At 31 July 2012	<u>258,009</u>	<u>5,890</u>	<u>263,899</u>

University

	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
At 1 August 2011	254,984	6,653	261,637
Revaluation in the year			
Fixed assets – Land and Buildings	1,601	–	1,601
Fixed assets investments – Quoted shares	(763)	(763)	(763)
	<u>1,601</u>	<u>(763)</u>	<u>838</u>
Transfer from revaluation to general reserve:			
Depreciation on re-valued assets	(3,335)	–	(3,335)
	<u>(3,335)</u>	<u>–</u>	<u>(3,335)</u>
At 31 July 2012	<u>253,250</u>	<u>5,890</u>	<u>259,140</u>

NOTES TO THE ACCOUNTS

NOTE 21 INCOME AND EXPENDITURE RESERVE

	Group		University	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Balance at 1 August	67,834	54,175	68,048	55,508
Surplus for the year	4,731	11,176	4,001	10,246
Transfers from revaluation reserve	3,397	3,380	3,335	3,318
Actuarial loss on pension schemes	(2,994)	(897)	(2,832)	(1,024)
Balance at 31 July	72,968	67,834	72,552	68,048

NOTE 22 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £'000	2011 £'000
Surplus for the year	4,731	11,176
Joint venture profit	(1,556)	(869)
Joint venture distribution received	1,808	528
FRS 17 – Pension adjustment	(1,137)	(1,410)
Depreciation (note 8)	15,836	15,803
Impairment of land and buildings (note 11)	5	3,121
Deficit on disposal of tangible fixed assets	338	–
Deferred capital grants released (note 18)	(4,736)	(6,225)
Endowment and investment income (note 5)	(3,295)	(1,939)
Interest payable (note 9)	4,967	4,911
Increase in stock	(45)	(20)
Decrease in debtors	3,540	3,185
(Decrease)/increase in creditors	(800)	2,007
Decrease in provisions	(339)	(554)
Net cash inflow from operating activities	19,317	29,714

NOTE 23 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2012 £'000	2011 £'000
Income from short term investments	454	681
Other interest received	108	67
Interest paid	(4,992)	(4,896)
	<u>(4,430)</u>	<u>(4,148)</u>
Net cash outflow from returns on investments and servicing of finance	(4,430)	(4,148)

NOTE 24 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2012 £'000	2011 £'000
Purchase of tangible assets	(46,403)	(59,082)
Payments to acquire long term investments	(839)	(2,158)
	<u>(47,242)</u>	<u>(61,240)</u>
Total fixed and endowment assets acquired	(47,242)	(61,240)
Receipts from the sale of long term investments	68	74
Receipts from the sale of endowment assets	628	624
Deferred capital grants received	14,058	14,873
Endowments received	813	1,290
	<u>(31,675)</u>	<u>(44,379)</u>
Net cash outflow from capital expenditure and financial investment	(31,675)	(44,379)

NOTE 25 MANAGEMENT OF LIQUID RESOURCES

	2012 £'000	2011 £'000
Cash withdrawn/(deposited) from short term deposits	13,119	(2,311)
	<u>13,119</u>	<u>(2,311)</u>
Net cash inflow/(outflow) from management of liquid resources	13,119	(2,311)

NOTE 26 FINANCING

	2012 £'000	2011 £'000
New loans	21,000	10,000
Income from Landsbanki	1,058	–
	<u>22,058</u>	<u>10,000</u>
Repayment of amounts borrowed	(5,009)	(8)
	<u>17,049</u>	<u>9,992</u>
Net cash inflow from financing	17,049	9,992

NOTES TO THE ACCOUNTS

NOTE 27 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2011 £'000	Cash Flows £'000	At 31 July 2012 £'000
Cash in hand and at bank	19,705	13,380	33,085
Current asset investments	26,449	(13,119)	13,330
	<u>46,154</u>	<u>261</u>	<u>46,415</u>
Debt due within 1 year	(9)	6	(3)
Debt due after 1 year	(102,709)	(15,997)	(118,706)
	<u>(56,564)</u>	<u>(15,730)</u>	<u>(72,294)</u>

NOTE 28 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 pension costs for both schemes are assessed using the projected unit method. The assumptions that have the most significant effect on the result of the valuations are the discount rate and inflation rates. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date.

The University also makes contributions to the National Health Superannuation Scheme (NHSS) in respect of a small number of staff.

(i) Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is 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.

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

The latest triennial actuarial valuation of the scheme was as at 31 March 2011 and was carried out using the projected unit method. To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with a short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 2.6% per annum.

At the valuation date, the value of the assets of the scheme was £32.4 billion and the value of the scheme's technical provisions was £35.3 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

NOTE 28 PENSION SCHEMES (cont.)

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2bn, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation. The latest USS summary funding statement shows an overall scheme deficit as at 31 July 2012 of £9.8 billion.

At 31 July 2012, USS had over 145,000 active members and the University had 2,105 active members participating in the scheme.

The total pension cost for the University was £12,705,000 (2011: £11,595,000). This includes £1,665,000 (2011: £1,458,000) outstanding contributions at the balance sheet date.

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

An actuarial valuation is currently in progress for 2012, the results of this valuation will be included in the 2012/13 financial statements once the valuation is finalised between the University and the scheme trustees.

The last actuarial valuation of the scheme was dated 5 April 2009. This valuation continued to show that the funds held by the Scheme were insufficient to meet anticipated future commitments. The University has set a revised target of 25 years and 9 months from the date of the valuation, to eliminate this deficit and had already increased the employer's contributions in order to fund the projected shortfall. The employee contribution rate has also increased to 6.25% (from 6.00%) as from 1 August 2010. The assumptions and other data, which have the most significant effect on the determination of contribution levels, are as follows:

Latest Actuarial Valuation	5 April 2009
Investment return – past service per annum	6.50%
Investment return – future service per annum	6.50%
Pensionable salary increases per annum	4.70%
Pension increases per annum	2.95%
Price inflation per annum	3.20%
Actuarial value of assets at date of last valuation	£55.6m
Value of past service liabilities	£107.9m
Proportion of members' accrued benefits covered by the actuarial value of the assets	51.5%

NOTES TO THE ACCOUNTS

NOTE 28 PENSION SCHEMES (cont.)

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

	2012	2011
	%	%
Discount rate for scheme liabilities	4.1	5.3
Inflation assumption – RPI	2.5	3.5
Inflation assumption – CPI	1.5	3.0
Long-term salary increases*	3.2	4.2
Increases on CARE benefits before retirement (in active service)	2.5	3.5
Pension payment increases – pre 01/08/10 service	1.5	3.0
Pension payment increases – post 01/08/10 service	1.4	2.3

* A lower rate averaging 2% per annum is assumed for the two years immediately following the year-end.

The mortality assumptions are based on standard mortality tables which allow for minimum future mortality improvements. The assumptions are as follows:

	2012	2011
	Yrs	Yrs
Future life expectancies at age 65:		
Male currently aged 65	20.3	20.2
Female currently aged 65	22.3	22.2
Male currently aged 45	22.1	22.0
Female currently aged 45	23.4	23.4

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

	31 July 2012		31 July 2011	
	Long-term rate of return expected		Long-term rate of return expected	
	% p.a.	£'000	% p.a.	£'000
Equities	6.5	53,101	7.9	54,630
Corporate bonds	3.9	7,607	5.3	6,896
Government bonds	2.5	18,202	3.9	16,461
Cash/Other	2.5	548	3.5	2,078
	5.3	<u>79,458</u>	6.7	<u>80,065</u>
Present value of scheme liabilities		<u>(93,029)</u>		<u>(92,426)</u>
Pension liability		<u>(13,571)</u>		<u>(12,361)</u>

The University of Exeter employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at 31 July 2012.

NOTE 28 PENSION SCHEMES (cont.)**Income and Expenditure Account**

Analysis of the amount charged to the income and expenditure account

	2012 £'000	2011 £'000
Current service cost	2,896	2,426
Total operating charge	2,896	2,426

Analysis of the amount charged to the income and expenditure account

	2012 £'000	2011 £'000
Within salaries and wages – members' contributions	875	842
Within pension costs – monthly contributions	3,158	2,994
Within pension costs – FRS 17	(1,137)	(1,410)
Total operating charge (note 6)	2,896	2,426

Contributions of £875,000 (2011: £842,000) represent contributions made by current members under a salary sacrifice arrangement and charged to salaries and wages but treated as if part of the University's contributions by the Scheme and for FRS 17 purposes.

Analysis of amount credited to investment income

	2012 £'000	2011 £'000
Expected return on pension scheme assets	5,315	4,898
Interest on pension scheme liabilities	(4,830)	(4,557)
Net credit on pension scheme funds	485	341

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

	2012 £'000	2011 £'000
Total actuarial losses recognised in the STRGL	(2,832)	(1,024)
Cumulative amount of losses recognised in the STRGL	(31,326)	(28,404)

NOTES TO THE ACCOUNTS

NOTE 28 PENSION SCHEMES (cont.)

Movement in the scheme deficit during the year

	2012	2011
	£'000	£'000
Deficit on scheme at 1 August	(12,361)	(13,088)
Movements in the year:		
Current service cost	(2,896)	(2,426)
Contributions paid	4,033	3,836
Other finance income	485	341
Actuarial losses	(2,832)	(1,024)
Deficit on scheme at 31 July	<u>(13,571)</u>	<u>(12,361)</u>

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

	2012	2011
	£'000	£'000
Opening defined benefit obligation	92,426	82,449
Current service cost	2,896	2,426
Interest cost	4,830	4,557
Contributions by scheme participants	156	119
Actuarial (gains)/losses on scheme liabilities*	(1,623)	7,452
Net benefits paid out	(5,656)	(4,577)
Closing defined benefit obligation	<u>93,029</u>	<u>92,426</u>

* Includes changes to the actuarial assumptions.

A bank guarantee facility of £34m was given by one of the University's bankers in favour of the Trustees of University of Exeter Retirement Benefits Scheme. The University expects to contribute £4.1m to the scheme in 2012/13.

Changes to the fair value of scheme assets during the year

	2012	2011
	£'000	£'000
Opening fair value of scheme assets	80,065	69,361
Expected return on scheme assets	5,315	4,898
Actuarial (losses)/gains on scheme assets	(4,455)	6,428
Contributions by the employer	4,033	3,836
Contributions by scheme participants	156	119
Net benefits paid out	(5,656)	(4,577)
Closing fair value of scheme assets	<u>79,458</u>	<u>80,065</u>

NOTE 28 PENSION SCHEMES (cont.)

Actual return on scheme assets	2012 £'000	2011 £'000
Expected return on scheme assets	5,315	4,898
Actuarial (losses)/gains on scheme assets	(4,455)	6,428
Actual return on scheme assets	<u>860</u>	<u>11,326</u>

History of asset values, defined benefit obligation and deficit in the scheme

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of scheme assets	79,458	80,065	69,361	59,777	64,224
Defined benefit obligation	(93,029)	(92,426)	(82,449)	(80,032)	(69,532)
Deficit in the scheme	<u>(13,571)</u>	<u>(12,361)</u>	<u>(13,088)</u>	<u>(20,255)</u>	<u>(5,308)</u>

History of experience gains and losses:

	2012	2011	2010	2009	2008
Experience (losses)/gains on scheme assets:					
- Amount (£'000)	(4,455)	6,428	6,840	(8,690)	(7,212)
- % of scheme assets	(5.6%)	8.0%	9.9%	(14.5%)	(11.2%)
Experience gains/(losses) on scheme liabilities:					
Amount (£'000)	–	–	(5,117)	(3,234)	(997)
% of the present value of scheme liabilities	0%	0%	(6.2%)	(4.0%)	(1.4%)
Total amount recognised in the statement of total recognised gains and losses:					
- Amount (£'000)	(2,832)	(1,024)	7,153	(15,415)	(3,354)
- % of the present value of scheme liabilities	(3.0%)	(1.1%)	8.7%	(19.3%)	(4.8%)

(iii) Total Pension Cost

The total pension cost for the University was:

	2012 £'000	2011 £'000
Contributions to USS - regular cost	12,705	11,595
Contributions to ERBS - current service cost	2,896	2,426
Salary sacrifice contributions included in salaries and wages	(875)	(842)
Contributions to other pension schemes	<u>245</u>	<u>215</u>
	14,971	13,394
Supplementary pension costs	–	39
Early retirement pension enhancement costs	<u>151</u>	<u>135</u>
Total pension cost	<u>15,122</u>	<u>13,568</u>

NOTES TO THE ACCOUNTS

NOTE 29 CAPITAL COMMITMENTS - Group and University

	2012	2011
	£'000	£'000
Commitments contracted at 31 July	15,438	15,242
Authorised but not contracted at 31 July	41,909	56,452
	57,347	71,694

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

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

See note 30 for the capital commitments of Group undertakings.

NOTE 30 RELATED PARTY TRANSACTIONS

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

Details of the organisations in which members of Council have an interest are published online at www.exeter.ac.uk/about/governance/council/biographies/index.shtml

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

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

	Income recognised in the Financial Statements £	Expenditure recognised in the Financial Statements £	Balance due to/(from) the University £
BBSRC	2,711,854	24,490	–
CUBO	–	2,321	–
Exeter College	46,994	8,307	(129)
Exeter Science Park	170,710	–	34,250
LHC Group	5,805	–	–
NUS Services	72,637	6,600	54,946
RD&E Healthcare NHS Trust	13,193	198,184	(9,843)
Rothamsted Research Ltd	7,144	4,179	(323)
South Devon Healthcare NHS Foundation Trust	10,000	–	–
The Sainsbury Laboratory	–	130	(130)
UCAS	–	99,312	(700)
University of Exeter Students' Guild	176,917	1,808,386	(37,017)
Universities UK	–	28,940	(535)

NOTE 30 RELATED PARTY TRANSACTIONS (cont.)**Biotechnology and Biological Sciences Research Council (BBSRC)**

The BBSRC is one of 7 Research Councils funded by the Government's Department for Business, Innovation and Skills (BIS). One member of Council is a Committee Chair of BBSRC.

College & University Business Officers (CUBO)

CUBO is the professional association for senior managers in higher education whose responsibilities include the strategic planning, management, administration and development of student accommodation, catering, retail and commercial activities. One representative from each organisation is accepted as the principle CUBO member. One of the University's Senior Management Team is the chair of CUBO

Exeter College

Exeter College is a tertiary college, providing all post-16 education and training for the city of Exeter. One member of Council is an appointed Governor.

Exeter Science Park

Development of Exeter Science Park is the responsibility of Exeter Science Park Limited which was set up in May 2010 as a company limited by shares but with a not for distribution status. The University of Exeter is a shareholder as are Devon County Council, Exeter City Council and East Devon District Council. The University appoints one Director to the Board.

LHC Group

Lacey Hickie & Caley, also known as LHC Architecture & Urbanism, is an architectural services company. A member of Council is a shareholder of LHC Group Limited.

National Union of Students (NUS)

NUS (National Union of Students) is a voluntary membership organisation, promoting, defending and extending the rights of students. One Council member is a non-executive director.

RD&E NHS Foundation Trust

The Trust provides specialist and emergency hospital services to residents and visitors primarily in Exeter and East and Mid Devon. One Council member is an appointed Governor.

Rothamsted Research (Formerly Rothamsted Experimental Station)

Rothamsted Research Limited is an independent charitable company, limited by guarantee and governed by a Board of fourteen non-executive Trustee Directors. One Council member is currently the chairman of the Board of non-executive Trustee Directors.

The Sainsbury Laboratory

Their aims are to make fundamental discoveries in the science of plant-microbe interactions, to build on fundamental scientific research and deliver science solutions that reduce crop losses to important diseases and to provide an outstanding training environment that prepares scientists who pass through the laboratory to excel in their careers. One Council member is a Trustee Director.

South Devon Healthcare NHS Foundation Trust

South Devon Healthcare NHS Foundation Trust runs Torbay Hospital serving the South Devon area. One member of Council is a non-executive director.

UCAS

UCAS are responsible for managing applications to higher education courses in the UK. One Council member has recently been appointed Chair of the UCAS Board.

NOTES TO THE ACCOUNTS

NOTE 30 RELATED PARTY TRANSACTIONS (cont.)

University of Exeter Students' Guild

The University of Exeter Students' Guild is the Students' Union of the University of Exeter. It offers support, advice, representation, entertainment and other activities that will enhance the student experience in Exeter. In accordance with FRS 2, accounting for subsidiary undertakings, 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.

Universities UK

Universities UK (UUK) is the representative organisation for the UK's universities. One member of Council is a current board member.

Falmouth Exeter Plus Limited

The University holds a 50% share of Falmouth Exeter Plus Limited (FX+ Ltd), a company limited by guarantee, which has no share capital and is an exempt charity. FX+ Ltd is a joint venture company owned equally by the University and University College Falmouth (UCF). FX+ Ltd is a linked charity of the University of Exeter.

FX+ Ltd has been established to operate student and commercial services for the Cornwall campus.

During 2009 FX+ Ltd commenced drawing down a loan with Barclays Bank Plc for new residences. The facility is for £20.5m and is repayable over 30 years. The University and UCF have jointly and equally guaranteed this facility and also 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 FX+ Ltd.

Tremough Development Vehicle Limited (TDV) is a wholly owned subsidiary of FX+ Ltd. It was established to provide the construction of the main Cornwall campus 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 Cornwall campus. TDV is also receiving grants to construct non-academic facilities related to the infrastructure and shared spaces development. These grants are received by TDV acting as an agent for the University and UCF. The grants and related costs are passed to the University and UCF on an agreed 50:50 basis.

During the year TDV continued to contract for the design and construction of infrastructure, shared and academic spaces for the further development for the Cornwall campus. TDV 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. The FX+ Ltd Group has capital commitments as follows:

	2012	2011
	£'000	£'000
Commitments contracted at 31 July	6,799	21,610
Authorised but not contracted at 31 July	5,054	12,013
	<u>11,853</u>	<u>33,623</u>

Amounts authorised are in respect of various construction projects at the Cornwall campus less commitments to date in TDV. Commitments relate to the construction of the Phase 2A residences together with new construction projects in progress.

Transactions between the University and FX+ Ltd were as follows: -

	2012	2011
	£'000	£'000
Income derived from the FX+ Ltd Group	119	837
Expenditure incurred with the FX+ Ltd Group	(2,235)	(1,908)
Payments by the FX+ Ltd Group on behalf of the University	14,383	7,018

NOTE 30 RELATED PARTY TRANSACTIONS (cont.)

Payments by FX+ Ltd on behalf of the University¹ represents amounts paid to contractors for the University's share of the design and construction of the further development of the Cornwall campus.

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

	2012	2011
	£'000	£'000
Amount owing from University of Exeter to the FX+ Ltd Group	5,339	828
Amount due to University of Exeter from the FX+ Ltd Group	1,219	3

INTO University of Exeter LLP / 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.

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

	2012	2011
	£'000	£'000
Operating costs recharged to INTO University of Exeter LLP	1,615	2,029
Expenditure incurred with INTO University of Exeter LLP	330	378

The balances owing between the University and INTO University of Exeter LLP: -

	2012	2011
	£'000	£'000
Amount owing from INTO University of Exeter LLP	534	755
Amount due to INTO University of Exeter LLP	554	267

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

	2012	2011
	£'000	£'000
Amount owing from Exeter ISC to the University of Exeter	7	6
Amount due to Exeter ISC from the University of Exeter	500	-

Thomas Hall Estates Limited

During the financial year, a senior member of staff was a director of Thomas Hall Estates Ltd, a company established with a local construction company to renovate and refurbish Thomas Hall. The company has concluded that the project is not commercially viable and as a consequence it has been agreed to abort the project and the senior member of staff resigned as a director of the company on 10 April 2012. The University's share of costs amount to **£551,000** (2011: £293,000) and have been fully provided for.

NOTES TO THE ACCOUNTS

NOTE 31 ACCESS FUNDS

Summary of transactions for the year ended 31 July 2012

	2012 £'000	2011 £'000
Balance at 1 August	11	12
Funding Council grants	183	187
Interest earned	2	1
	<u>196</u>	<u>200</u>
Disbursed to students	(180)	(183)
Administration costs	(8)	(6)
Balance at 31 July	<u>8</u>	<u>11</u>

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 32 TA INITIAL TEACHER TRAINING BURSARIES

Summary of transactions for the year ended 31 July 2012

	2012 £'000	2011 £'000
Balance at 1 August	167	(65)
TA grants received	<u>678</u>	<u>3,167</u>
Total TA training bursary funding available for the year	845	3,102
Disbursements to students	<u>(840)</u>	<u>(2,935)</u>
Balance at 31 July	<u>5</u>	<u>167</u>

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

NOTE 33 MAINSTREAM RECRUITMENT AND RETENTION FUNDING

Summary of transactions for the year ended 31 July 2012

	2012 £'000	2011 £'000
Balance at 1 August	–	15
TA funds (repaid)/received	<u>–</u>	<u>(15)</u>
Total TA funding available for the year	–	–
TA recruitment and retention expenditure	<u>–</u>	<u>–</u>
Balance at 31 July	<u>–</u>	<u>–</u>

NOTE 34 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY

INCOME AND EXPENDITURE ACCOUNT of the Higher Education (HE) Community Chest for the year ended 31 July 2012

		University of Exeter 2012	University of Plymouth 2012	Total 2012	Total 2011
INCOME	Note	£'000	£'000	£'000	£'000
Funding Council grants	iii	8,124	8,124	16,248	17,458
Tuition fees and education contracts		3,022	3,117	6,139	5,452
NHS funding	iv	3,286	3,286	6,572	4,150
Research grants and contracts		12,317	2,122	14,439	12,568
Other income	v	1,865	1,850	3,715	2,606
Endowment and investment income		123	123	246	196
Total income		28,737	18,622	47,359	42,430
EXPENDITURE					
Staff costs	vi	16,695	10,094	26,789	23,996
Other operating expenses		11,472	8,032	19,504	17,126
Depreciation	vii	394	320	714	484
Total expenditure		28,561	18,446	47,007	41,606
Surplus on continuing operations		176	176	352	824

**BALANCE SHEET of the Higher Education (HE)
Community Chest as at 31 July 2012**

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	vii	4,931	5,204
Current assets			
Stock		3	4
Debtors	viii	7,773	7,765
Cash at bank and in hand	ix	31,258	30,192
		39,034	37,961
Creditors: amounts falling due within one year	x	(18,199)	(17,477)
Net current assets		20,835	20,484
Total assets less current liabilities		25,766	25,688
NET ASSETS		25,766	25,688
Deferred capital grants	vii	4,930	5,204
Reserves	xi	20,836	20,484
TOTAL		25,766	25,688

NOTE 34 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY (cont.)

Explanatory Notes

i. Background to PCMD and post year end disaggregation

The Peninsula College of Medicine and Dentistry (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. 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.

The Planning and Performance Committee is accountable to the Council of the University of Exeter and the Board of Governors of the University of Plymouth and is responsible to the Universities in respect of the overall management of PCMD within the policies and parameters set by the Universities' governing bodies. In making recommendations the Planning and Performance Committee has due regard to the statutory and other legal obligations of the Universities and the NHS institutions.

On 20 July 2012 an agreement was signed: for the disaggregation of PCMD with effect from 1 August 2012; for transitional arrangements for existing PCMD staff and students; and for the establishment by the Universities of the University of Exeter Medical School and the Plymouth University Peninsula Schools of Medicine and Dentistry. The disaggregation and transition is being managed in conjunction with the NHS Trusts and other stakeholders. Existing medical students of PCMD will continue to be jointly taught by the two Universities throughout the duration of their studies until their graduation. The University of Exeter medical school was established on 1 August 2012 and its first intake of students will be in September 2013.

This income and expenditure account and balance sheet of the HE community chest have been prepared on a consistent basis with prior years and do not reflect any adjustments for this agreement which is effective and being implemented post the balance sheet date. The two Universities have separately and collectively considered the impact this agreement will have upon their own Financial Statements, the carrying values of their respective share of the community chest assets and liabilities held as at 31 July 2012 and the need to reflect their share of any rights or obligations under the agreement as at the balance sheet date.

University of Exeter

Due to the uncertainty over the precise quantum of the impact, and its dependence in part on future events, no adjustments have been made in these financial statements for the impact of settlement of this agreement, which will be reflected in the financial statements for the year ended 31 July 2013.

ii. Audit arrangements

A 50% share of the Income, Expenditure and Balance Sheet items (excluding externally funded research) of the Peninsula College of Medicine and Dentistry is included within the Income and Expenditure Account and Balance Sheet of each of the Universities. The items comprising the externally funded research activity of PCMD are included within the financial statements of the University employing each project's Principal Investigator.

These transactions are part of the audited financial statements of each University for the year ended 31 July 2012.

NOTE 34 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY (cont.)

iii. Funding Council grants

	2012 £'000	2011 £'000
Recurrent grants	15,713	16,689
Other specific grants	450	685
Deferred capital grants released in the year: Equipment	85	84
	16,248	17,458

iv. NHS funding

	2012 £'000	2011 £'000
NHS funding	6,572	4,150

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

v. Other income

	2012 £'000	2011 £'000
Other grant income	2,553	1,467
Other income	1,162	1,139
	3,715	2,606

vi. Staff numbers

The average number of persons (including senior post-holders) employed on behalf of PCMD by either the University of Exeter or the University of Plymouth during the year, expressed as full-time equivalents, was:

	Year Ended 31 July 2012 Number	Year Ended 31 July 2011 Number
Academic staff	122	111
Research staff	158	131
Teaching fellows (formerly tutors)	12	8
Support staff	213	208
Total	505	458

Those staff employed by the University of Exeter are included in the staff numbers for the University in note 6.

NOTES TO THE ACCOUNTS

NOTE 34 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY (cont.)

vii. Fixed assets

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

Computer equipment and IT Infrastructure	4 to 8 years
Equipment acquired for specific research projects	remaining 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.

viii. Debtors

	2012	2011
	£'000	£'000
Debtors	2,345	2,685
Prepayments and accrued income	5,365	4,668
Due from partner university	63	412
	<u>7,773</u>	<u>7,765</u>

In prior year debtors falling due after more than one year, there was an amount of £0.8m that related to deposits previously placed with Landsbanki Islands hf. In the current year the value of the net debt is £Nil. This comprises a debtor of £0.6m (2011: £1.0m) less a provision of £0.6m (2011: £0.2m) which is based on current professional advice. The Universities of Exeter and Plymouth would each bear 50% of any future loss or gain that may arise.

Included in Debtors are amounts owing from University of Plymouth Enterprise Limited, a University of Plymouth owned subsidiary company, of £63,531 (2011: £63,531)

ix. Cash at bank and in hand

	2012	2011
	£'000	£'000
Held by:		
University of Exeter	15,423	11,038
University of Plymouth	15,799	19,152
University of Plymouth - PCMD	36	2
	<u>31,258</u>	<u>30,192</u>

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 instant access accounts and short-term deposits.

NOTE 34 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY (cont.)

x. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	314	407
Other creditors	936	11
Due to partner universities	3,716	997
Deferred income:		
HEFCE Dental start-up funding	–	785
NHS Capital funding	–	263
NHS Dental start-up funding	4,485	4,485
NHS SIFT	–	2,116
Accruals and other deferred income	8,748	8,413
	18,199	17,477

xi. Reserves

	2012 £'000	2011 £'000
Opening balance	20,484	19,660
Surplus for the year	352	824
Closing balance	20,836	20,484



FIVE YEAR SUMMARY ACCOUNTS

These pages do not form part of the Statutory Financial Statements:

INCOME AND EXPENDITURE

	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Income					
Funding body grants	68,534	74,815	71,631	67,670	63,544
Tuition fees & education contracts	93,745	81,261	74,181	60,037	45,507
Research grants & contracts	49,922	46,327	37,728	33,313	24,497
Other income	41,509	41,855	42,102	40,469	40,205
Endowment & investment income	3,295	1,912	1,572	1,721	4,988
Total income	257,005	246,170	227,214	203,210	178,741
Expenditure					
Staff costs	140,582	127,957	118,988	112,190	100,480
Other operating expenses	92,152	84,739	82,828	68,970	58,460
Depreciation	15,836	15,803	13,106	14,100	11,594
Impairment	5	3,121	2,559	–	–
Interest payable	4,967	4,883	5,522	4,875	4,930
Total expenditure	253,542	236,503	223,003	200,135	175,464
Operating surplus/(deficit)	3,463	9,667	4,211	3,075	3,277
Share of operating profit/(loss) in JV	1,556	869	801	228	(866)
Exceptional items		–	812	(36)	(5,579)
Surplus/(deficit) for the year on continuing operations	5,019	10,536	5,824	3,267	(3,168)
Transfer from endowments	(288)	640	301	383	206
Surplus/(deficit) for the year	4,731	11,176	6,125	3,650	(2,962)
HISTORIC COST RESULTS					
Surplus/(deficit) for the year on continuing operations	5,019	10,536	5,824	3,267	(3,168)
Historic cost adjustments	3,397	3,380	13,517	5,054	4,999
Historical cost surplus for the year	8,416	13,916	19,341	8,321	1,831

FIVE YEAR SUMMARY ACCOUNTS

These pages do not form part of the Statutory Financial Statements:

BALANCE SHEET

	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Fixed assets	590,592	556,206	459,010	450,045	449,370
Endowment asset investments	23,488	23,884	21,074	18,102	15,974
Net current assets	12,688	10,883	27,981	22,480	20,791
Creditors: amounts falling due after more than one year	(122,490)	(105,721)	(95,755)	(92,978)	(83,180)
	<u>504,278</u>	<u>485,252</u>	<u>412,310</u>	<u>397,649</u>	<u>402,955</u>
Provisions for liabilities	–	(339)	(883)	(846)	(893)
Pension liability	(13,571)	(12,361)	(13,088)	(20,255)	(5,308)
Total net assets	<u>490,707</u>	<u>472,552</u>	<u>398,339</u>	<u>376,548</u>	<u>396,754</u>
Represented by:					
Deferred capital grants	130,352	116,113	107,539	101,287	93,213
Endowment reserve	23,488	23,884	21,074	18,102	15,974
Revaluation reserve	263,899	264,721	215,551	229,763	250,217
Income and expenditure reserve	<u>72,968</u>	<u>67,834</u>	<u>54,175</u>	<u>27,396</u>	<u>37,350</u>
Total funds	<u>490,707</u>	<u>472,552</u>	<u>398,339</u>	<u>376,548</u>	<u>396,754</u>





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