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# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2016



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

## CHANCELLOR

Lord Paul Myners of Truro CBE

## VICE-CHANCELLOR'S EXECUTIVE GROUP As of 24 November 2016

### Vice-Chancellor and Chief Executive

Professor Sir Steve Smith, BSc MSc PhD *Soton* FAcSS

### Provost and Senior Deputy Vice-Chancellor

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

### Deputy Vice-Chancellors

Professor Mark Goodwin, BA PhD *LSE* DVC for Innovation and External Engagement

Professor Tim Quine, BSc *Lon* PhD *Sheff* DVC for Education

Professor Nick Talbot, BSc PhD *UEA* FRS DVC for Research and Impact

### Pro-Vice-Chancellors and Executive Deans

Professor David Allen, BA MFA MBA PhD

Professor Clive Ballard, MBChB (Medicine) MMed Sci MRC Psych MD

Professor Dan Charman, BSc *Newc* PhD *Soton*

Professor Ken Evans, BSc PhD *CEng* CPhys

Professor Debra Myhill MBE, BA PGCE MPhil PhD

Professor Andrew Thorpe, BA (Hons) *Birm* PhD *Sheff* FRHistS

### Registrar and Secretary

Mike Shore-Nye, BA (Hons)

### Deputy Registrar and Director of Human Resources

Jacqui Marshall, FCIPD FIoD

### Director of Communications and Corporate Affairs

Jane Chafer, BSc MBA FCIM

### Chief Financial Officer

Andrew Connolly, BA (Hons) CPFA

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## INTERNAL AUDITOR

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Vice-Chancellor's Executive Group and Advisors

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## CHAIR'S FOREWORD

Sound finances are an essential foundation to enable the University to invest in, develop and deliver its strategies. So in a year that saw us maintain our position as a top 10 UK university and amongst the top 1% of Universities worldwide, it is pleasing to be able to report on yet another successful financial performance.

The strong upward trajectory in our finances has continued in 2015/16 with a 20% increase in our quality-related annual research grant, as well as the results of a variety of transformation projects set in motion in earlier years.

In Autumn 2016 we launched our new five-year strategy 'Making the Exceptional Happen'. Setting out our vision to be a global 100 research leader and create graduates of distinction within a community of the most talented and creative minds, our strategy establishes how we will achieve this and how we will measure our success. This measurement can be encapsulated in three numbers: 10, 100 and 1000 - consistently achieving a top 10 position in the UK, sustainably achieving Global 100 status and submitting at least 1000 academics to the next Research Excellence Framework exercise. We also plan to launch a major fundraising campaign in the coming year to support our research and education ambitions.

In recent years we have put a lot of focus on internal organisation and process and we are now seeing the tangible benefits of our various transformation projects. The positive impact on our finances has allowed us to commission a new 10-year capital strategy - essential for the University to compete on the global stage, providing the best facilities for our students and our staff, and delivering world-class research and student experience. We will finance this investment programme from our own recurrent cash generation, supplemented by philanthropy and other external sources of funding.

The result of the EU referendum on 23 June 2016 will be challenging for universities, and Exeter is no exception. We know that we - and wider society - benefit from this rich environment in which to foster common understanding, break down barriers and tackle global challenges together. While future EU funding is bound to be impacted, a greater concern is the negative impact Government policy may have on the wider world in terms of perceptions about the UK's welcome in attracting international students and staff. We are also concerned that the success of UK universities in participating, and often leading, research partnerships with EU academics and institutions could suffer. We will do our utmost to support our staff and students during what is likely to be a prolonged period of uncertainty.

I thank everyone in the University for their contribution to last year's successful performance and look forward to the year ahead.



**Sarah Turvill,**  
Chair of Council

The Athena Swan programme continues to go from strength to strength with Silver awards achieved for the Psychology and Mathematics and Computer Science departments at Exeter.



## HIGHLIGHTS

### PERFORMANCE

- Total income: **£371.1m** (£360.2m), up **3%**
- Cash flow from operating activity: **£70.0m** (£53.9m)
- Surplus for the Year: **£14.5m** (£3.0m)
- Staff cost ratio: **49.9%** of total income (49.4%)

### INVESTMENT

- Capital expenditure: **£34.1m** (£41.8m)
- Capital grants: **£8.8m** (£10.0m)

### LIQUIDITY AND DEBT

- Total bank debt: **£195.3m** (£199.1m)
- Total cash (cash and current investments): **£119.7m** (£102.3m)
- Net debt: **£76.2m** (£97.5m)

### FINANCIAL STRENGTH

- Net current assets ratio: **1.6** (1.7)
- Net assets: **£475.5m** (£484.6m)

\* Comparative data for the prior year 2014/15 is shown in parenthesis throughout the business review

## SCOPE OF THE FINANCIAL STATEMENTS

These financial statements cover the University of Exeter, its subsidiary undertakings and joint ventures. These are the first financial statements to be prepared under new accounting standards, *Financial Reporting Standard 102* (FRS 102), as interpreted by the 2015 edition of the *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP 2015).

## IMPACT OF NEW ACCOUNTING STANDARDS

The new accounting standards have had a tangible impact with a small number of material liabilities recognised in the financial statements for the first time. The University has also adopted new accounting policies, some of which impact on many of the estimates underpinning the financial statements.

In order to make meaningful comparisons the prior year 2014/15 results have been restated. The table below illustrates the high level changes the new accounting has had:

Re-statement of 2014/15 prior year results	14/15 Financial Statements £m	Re-stated £m	Change £m
Total income	339.5	360.2	+20.7
Surplus for the year	13.2	3.0	-10.2
EBITDA	46.2	65.9	+19.7
Cash inflow from operating activities	36.0	53.8	+17.8
Income and expenditure unrestricted reserves	72.1	429.3	+357.2
Net assets	552.2	484.6	-67.6

For the first time the financial statements recognise long-term liabilities relating to the Universities Superannuation Scheme (USS) pension scheme deficit recovery plan as well as first-time recognition of financial instrument liabilities used to secure fixed interest payments on the University's debt.

A former off-balance sheet student accommodation transaction has also been recognised for the first time. Aside from these material items there are a large number of other recognition and classification changes which are highlighted in note 1 which explains the transition to FRS 102.

As a consequence of changes to accounting standards the utility of EBITDA and Net Surplus as measures of underlying financial performance have been reduced as these can be materially influenced by balance sheet date valuation driven data as well as receipts such as capital grants that the University would not consider as reflective of recurrent performance. The University has therefore adopted its own measure of financial sustainability, based on normalising EBITDA for the most distorting of accounting transactions.

## RESULTS FOR THE YEAR

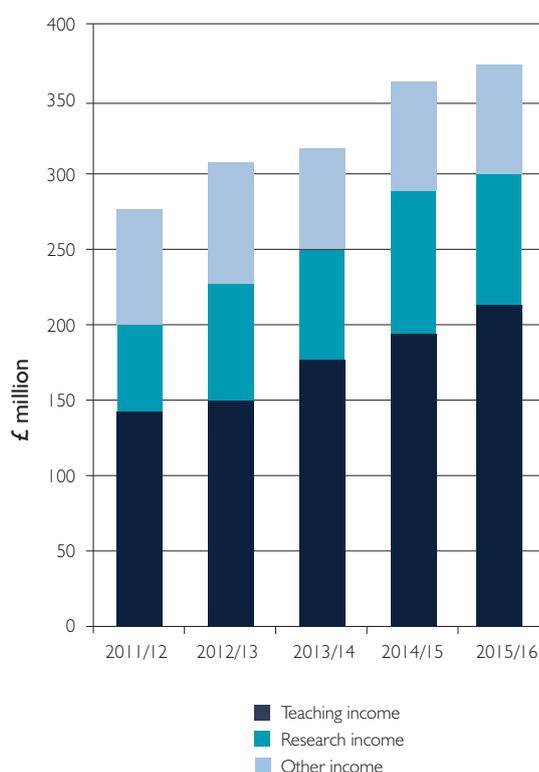
While the prior year, 2014/15, was characterised by a small number of material one-off exceptional gains, adding over £11m to income in that year, the 2015/16 year by contrast is characterised by permanent recurrent uplifts to the University's financial performance. The 2014/15 investment in staff restructuring has paid back, enabling the University to invest more in academic staff growth. Similarly, the prior year's targeted investment in academic staffing and research has paid back with a 20% increase in quality-related research grant following the University's successful Research Excellence Framework 2014 submission.

Because the results reported in these financial statements rely less on one-off gains and more on recurrent performance, they represent one of the strongest set of financial results the University has posted.

The 2015/16 year was one of continued growth. Total income increased 3.0% over the year.

Tuition fees grew by 12.1%, standing at £203.6m, with fees from home/EU students up 11.3% and from international students up 12.5%. In 2012 the government implemented structural changes to the way UK higher education is funded, allowing institutions to increase fees for home/EU undergraduates up to a £9k fee cap and substantially reducing teaching block grant funded from general taxation. This change has been phased in over successive years as each new undergraduate cohort entered the University. The teaching grant from HEFCE reduced by 18% over the year, standing at £11.1m for 2015/16. This remaining element of teaching grant is focused on supporting high cost science disciplines and on improving student opportunity. Most of the financial impact of the Government's structural changes to fee income with the transition from teaching grants to tuition fees has now been recognised.

**Total Income growth and sources**



Income from research grants and contracts declined by 1.5% over the year, following a decline in research awards in previous years, in large part as a result of the EU's switch over from its Framework to its Horizon 2020 programme. Research awards, representing future income streams, began to increase in December 2015 and have been on a strong upward trend since. This is a good indicator that research grant and contract income should return to a strong upward trajectory in future years.

The University also benefited from the disposal of a minority holding in a spin-out company, Simpleware Ltd, generating a profit of £928k.

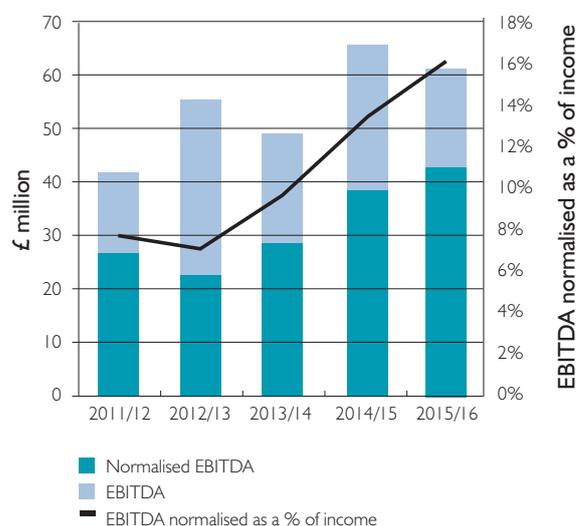
While top-line growth in income is satisfying, the trend improvement in EBITDA is more so. The University has adopted EBITDA as its strategic key performance indicator, normalising it to remove the major accounting distortions.

The table below shows the headline financial performance figures for 2015/16 performance, *normalised* to take into account material accounting distortions to better judge underlying recurrent performance:

	<b>EBITDA £000</b>	<b>Net Surplus £000</b>
<b>Financial Statements 2015/16</b>	<b>62,279</b>	<b>14,510</b>
less service concessions	(13,138)	-
less capital grants	(8,783)	(8,783)
add back endowment deficit	627	627
less exceptional receipts	(1,409)	(1,374)
add back loss on the value of investments	-	63
add back transformation project costs	2,307	3,007
add back Science Park provision	1,800	1,800
<b>2015/16 EBITDA/Net Surplus normalised for major distortions</b>	<b>43,683</b>	<b>9,850</b>

**EBITDA**

*Financial statements and normalised*



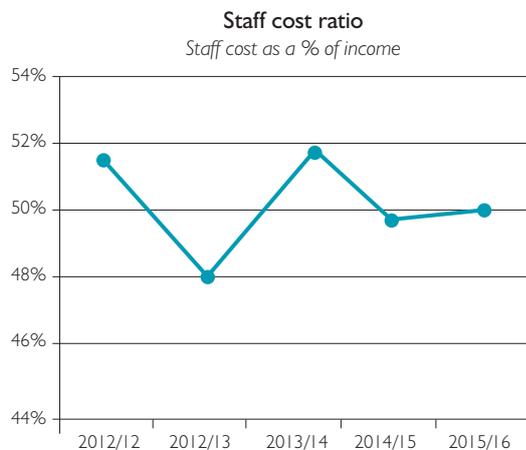
In 2014 the University implemented a series of transformation projects aimed at realigning our professional support services to support our new education, research and impact strategies, aiming towards a target EBITDA of £55m per year by 2020/21. The graph above shows the recent trajectory of normalised EBITDA, recording an increase for the 3rd successive year and heading towards the £55m target.

Benefits from on-going transformation projects will continue to flow in terms of improved services and an improved financial contribution in the coming years as we progress towards our £55m target by 2020/21.

A target of £55m for normalised EBITDA has been set to enable capital investment to run at a level that is required to sustain the University, reflecting size, complexity and mix of disciplines and activity. This target will enable the University to be self-sufficient in terms of future capital investment and to comfortably service existing debt levels from our own cash generation.

New accounting standards have made it more difficult to analyse underlying business performances. The inclusion of capital grants, totalling £8.8m (£10.0m), credited to the surplus should not be considered part of our recurrent performance and they are also incomparable looking year-on-year. There are other distorting factors in the surplus, such as changes to the market value of investments. These investments relate to the University's endowment funds, most of which are held for the long-term where we have no intention of selling to realise their capital value. These and other factors undermine the utility of the net surplus as a measure of financial performance. This is why the University focus is on normalised EBITDA as its own measure of underlying financial performance.

Staffing costs continue to be contained, with a staff cost ratio of 49.9% (excluding provisions for pension charges and exceptional restructuring costs). The graph below shows the trend in the staff cost ratio.

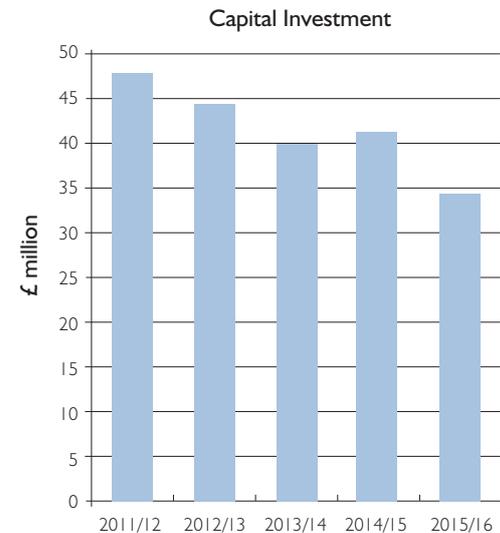


A number of external factors will drive future staffing costs up. In April 2016 all member universities agreed to increase the funding of pension costs in the USS, with an increase in the employers contribution rate rising from 16% to 18% of pensionable salaries. At the same time the Government abolished the contracted out national insurance rebate, effectively adding 2% on to the pay bill. In April 2017 a new 0.5% apprenticeship levy will also be added to pay costs. Taken together these three items add over £5m to the University's cost base and will show up in our 2016/17 financial results.

The University is also investing significantly in new academic posts in 2016/17. This, along with the impact of pensions and national insurance increases, means that the staff cost ratio will begin to increase.

### INVESTMENT

Capital investment at £34.1m (£41.8m) includes the soon to be completed Living Systems Institute on the Streatham campus.



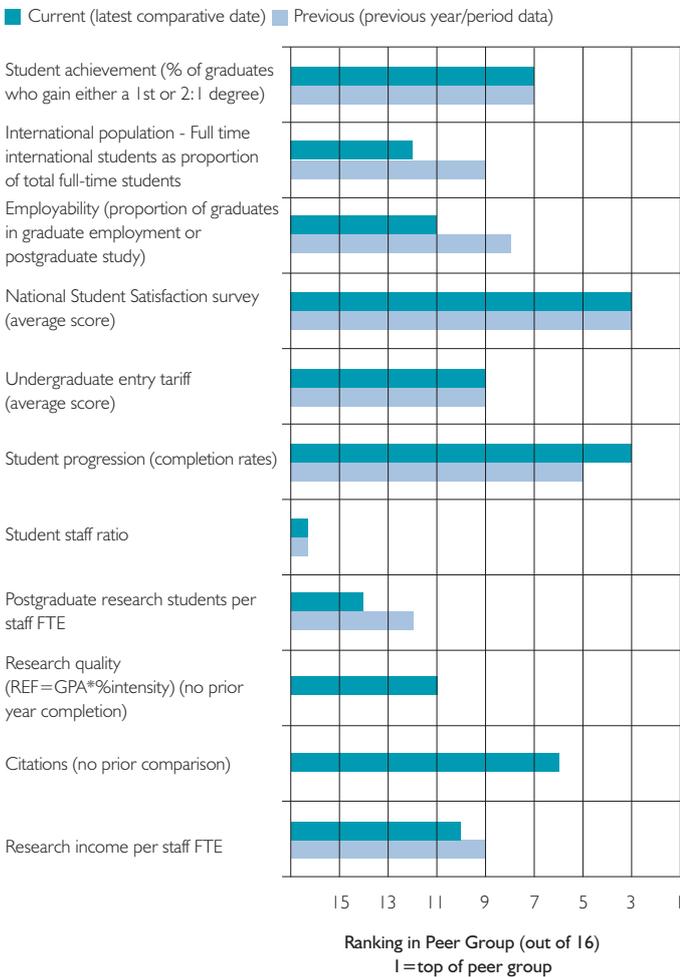
Capital investment remains high but has been falling in recent years. It was a conscious decision to allow the committed capital programme to work through, invest in a smaller number of projects such as new research facilities and a sports centre in Penryn, enabling attention to be focused on delivering transformation and increasing our EBITDA performance. Now that we are seeing the benefits of transformation being realised we have begun to develop a new 10-year capital strategy. This will see investment levels increase in future years, from 2017/18 onwards. The new strategy is currently under development and is expected to be approved by Council during 2016/17.

KEY PERFORMANCE INDICATORS

The University continues to focus on performance management. To measure the degree to which we are fulfilling our strategic objectives we use 11 KPIs benchmarked to a challenging peer group of 16 institutions. Our peer group are research intensive, offer a broad range of academic disciplines and are usually ranked in or around the top 10 in the UK.

Because comparable data is not available for the current year, the table below needs careful interpretation as comparable data is often lagging.

**Key Performance Indicators**  
Rankings in Peer Group



DEBT, LIABILITIES AND LIQUIDITY

The University's bank debt at £195.3m (£199.1m) has supported high levels of past and current investment, underpinning the ability to deliver a first-class student experience. Now firmly in a debt repayment phase, levels of debt will begin to decline in coming years.

The new accounting standards have resulted in the first-time recognition of material liabilities. In particular the liability to fund the USS deficit recovery plan over the next 15 years, estimated in present value terms at £38.7m, along with liabilities under our interest-rate swap contracts payable over the next 27 years, estimated in present value terms at £59.4m. Both are estimated valuations of future contracted cash outflows. Their valuation is particularly sensitive to market rates of interest at balance sheet date and as market interest rates are ultra-low, so the present value of future liabilities are estimated as being high. These liabilities are paid out over the long-term under contracts, they will not crystallise into immediate cash calls.

Cash balances remain high at £119.7m (£102.3m) representing 136 liquidity days. In part this reflects the slowdown of the rate of capital investment, coupled with the improvement in the University's recurrent financial performance, increasing cash generation. Cash balances are therefore artificially high and once the University's capital strategy is approved and underway cash balances will fall to normal operating levels.

PHILANTHROPY AND ENDOWMENTS

Philanthropy forms an important part of the University's plans to further our education and research strategies. A fundraising campaign *Making the Exceptional Happen*, will be formally launched in the coming year.

Income from philanthropy recognised in these financial statements amounted to £1.6m (£2.3m) from Endowments and Donations. A further £1m cash was received for Research activities, including a £700k anonymous donation for supporting anthrozoology postgraduate research in the College of Social Sciences and International Studies. This will be recognised as income in future years as we meet the performance conditions attached.

### RISKS

The University has a well-developed approach to monitoring, managing and internal reporting of risk. The key risks are set out below.

#### Impact of the EU Referendum

The outcome of the UK referendum on 23 June 2016 is a significant event for UK universities and adds greatly to uncertainty around funding, international research collaborations and the recruitment and retention of EU nationals employed by the University, a number of whom are internationally renowned academics.

The Government has announced a guarantee to honour research funding awarded by the EU during the UK's continued membership of the EU which provides a degree of funding certainty, at least to the point the UK leaves the EU, on terms which are yet to be agreed.

The Government has also announced that EU students entering the University in 2016 and 2017 will have access to the Student Loan Company financing arrangements for the duration of their studies. This is helpful in providing current and prospective students from the EU with funding certainty.

While in the near-term the University is confident that student numbers and research funding will hold up, the medium to long-term impact of uncertainty, of what Brexit will look like, of likely changes to the Government's immigration and visa policy all represent significant risk.

The University has formed a Brexit Mitigation group to monitor and co-ordinate the response to evolving government announcements and policy.

#### Pensions

Pensions are the University's biggest liability, at £74.7m (£72.4m). This comprises a liability to fulfil the USS deficit recovery plan of £38.7m over 15 years and a liability to fund the University's support staff pension scheme deficit, estimated at £36m, payable over 10 years.

Following its last actuarial valuation (as at March 2014) the University, along with other institutional members of USS, agreed a suite of benefit changes, a deficit recovery plan alongside increased employee and employer contribution rates. The implementation of this suite of changes was completed in October 2016. The scheme deficit, nationally, was assessed at £5.3 billion (March 2014). However, the continued fall in market-rates has increased the present value of scheme liabilities, materially increasing the estimate of the deficit since the last formal valuation. On an actuarial basis

the schemes deficit is now put at £10 billion (March 2016). Clearly, the deficit recovery plan, aimed at paying down the deficit, is not having the desired effect and it is highly likely that further significant pensions reform will be required to sustain a financially viable pension offer.

The University has recently agreed a set of structural benefit reforms and a new deficit recovery plan for its own support staff pension scheme, the Exeter Retirement Benefit Scheme (ERBS), which will result in the scheme closing to defined benefit future accrual on 30 November 2016, replaced with a new defined contribution scheme. These changes will help break what was in danger of becoming a perpetual cycle at each triennial valuation of pension benefits being continually diluted while the costs of funding pensions is ever increasing.

#### Employability

A key sign of the success of our education strategy is how successful our graduates are at securing graduate level jobs, progression on to further study and attaining sector-leading levels of graduate earnings. Although the University has seen steady improvements in the employability KPI, the rate of improvement within our competitor group has outstripped the University. As a consequence our ranking in the competitor group fell from 8th to 11th (out of 16).

Employability outcomes are central to the success of our educational strategy. They will also feature in the future Teaching Excellence Framework currently being developed by the Government. An action plan has been developed and is currently being implemented to improve the University's performance in this area.

#### Industrial Engagement, Partnerships and Knowledge Exchange

The University has set out to deepen its relationships with industry and external partners. This will help the University increase the impact of its research and knowledge exchange activities on the economy both regionally and nationally, to contribute towards our global ambitions, as well as diversify income streams. This activity is considered to be a business risk as we have set ambitious targets to step up the level of activity and funding secured from this sector.

To facilitate this strategy a new professional services directorate, Innovation, Impact and Business, has been created. They are supporting academics in developing partnerships and industrial, regional and EU funding, as well as deepening and forming new corporate partnerships. Current activities are extensive, ranging from the University's involvement in the SETSquared partnership (ranked as the

world's number 1 University business incubation centre), the GW4 partnership with Bristol, Bath and Cardiff universities, to our corporate partnerships and many and varied regional activities, such as the Exeter Science Park.

### Information Security and Information Governance

Universities are by nature open organisations, rich in data and information. Yet data and systems security, resilience and integrity are critically important to our reputation and the work of our academics and students. The University has been enhancing its approach to increase information security and strengthen information governance to ensure it is well placed to protect itself from external attack.

### FUTURE OUTLOOK

The University is set to materially deliver its teaching income budget for 2016/17, the expected shortfalls on international students being compensated by targeted increased recruitment in other sectors as well as better than budgeted levels of returning students.

It is particularly pleasing to see that research awards – effectively the order book for future research activity and income – turned upwards in December 2015 and this should translate to increasing research grant and contract income streams in 2016/17 onwards.

In 2016 the University commenced a major size and shape initiative, targeting the recruitment of 35 leading academics, mostly in sciences and engineering disciplines. The recruitment process is drawing to its conclusion and has been successful in attracting high quality applicants. Combined with the staff recruitment campaign for the new Living

Systems Institute, where 29 leading academics are being recruited across a broad range of disciplines, the University is currently undertaking a significant investment programme in growing its research power to compete in a global environment.

The University is developing a new 10-year capital strategy funded from the University's own cash generation, supplemented by philanthropy. This will help underpin the University's position as a top-10 UK University, deliver an outstanding student experience, well positioned within the global elite of higher education institutions.

### GOING CONCERN

In July 2016 Council approved the five year financial forecasts submitted to HEFCE, including income and expenditure, cash flow, capital investment and balance sheet. These show a continuation of improving finances as the University heads towards its target EBITDA of £55m by 2020/21.

The University is confident that it will be able to meet all of its future financial obligations and commitments, operating within its banking covenants for the next 12 months and will continue to do so for the foreseeable future.

These financial statements have been prepared and approved by Council on a going concern basis.





The University of Exeter is an exempt charity under the terms of the Charities Act 2011. The trustees of the charity are the members of Council, the governing body of the University. The Royal Charter of the University (granted 1955) sets out the University's fundamental objectives:

- provide for research and instruction;
- secure the advancement of knowledge and the diffusion and extension of Arts, Sciences and Learning; and
- provide a Liberal and Professional Education.

Higher Education Institutions (HEIs), in line with charity guidelines and the Higher Education Funding Council for England (HEFCE) Memorandum of Assurance and Accountability, are required to report on delivery of their charitable purposes for the public benefit. There are two aspects of public benefit:

- Benefit aspect – a charitable purpose must be beneficial.
- Public aspect – a charitable purpose must benefit the public in general.

This narrative explains how the University has delivered both aspects during the year. In setting and reviewing the University's objectives and activities, Council has had due regard to the Charity Commission's guidance on public benefit and particularly to its supplementary guidance on The Advancement of Education for the Public Benefit. By having detailed strategies for Education; Humanities and Social Sciences; Science; Arts and Culture; Internationalisation and Sustainability Council has considered the different beneficiaries of the University, including students, research collaborators and local communities.

## EDUCATION

### Mission

The quality of learning and teaching is central to our success. Our educational mission is to create an internationally exceptional educational experience for all students that equips them to make a positive impact in the world.

We aim to ensure all our students, whether undergraduate or postgraduate, are inspired by intellectual challenge to acquire expertise within and beyond their chosen academic field. By developing students' skills we can enable them to become imaginative and critical thinkers and problem solvers; active global citizens; creative and enterprising team players; and engaged and participative leaders able to effect change. This strong emphasis on the wider purpose of our educational provision and on the impact that graduates make in the world, ensures public benefit long after our students graduate.

### A Top UK and International University

Exeter is amongst the top 1% of universities worldwide according to the 2016/17 Times Higher Education University Rankings, the most influential global league table. We are 6th in the UK, 8th in Europe and top 40 in the world in the CWTS Leiden Ranking. The Leiden Ranking reviews scientific impact of universities and their involvement in scientific collaboration.

The Times and the Sunday Times Good University Guide ranks Exeter in 7th position in the UK and named us Sports University of the Year 2015/16. It recognises Exeter's outstanding support for athletes, very high student satisfaction in sport-related programmes and world-leading research which enhances athletic performance at all levels.

Exeter is 11th in the 2016/17 Guardian University rankings, 6th in the Russell Group of leading research intensive universities. The Medical School's Medicine programme is once again ranked as the best in the South West, climbing one place to 10th in the UK. 12 subjects at the University secured top 10 positions across a range of subjects including Theology, Forensic Science and Sociology.

A wide range of subjects at the University of Exeter performed strongly in the 2015 National Student Survey (NSS). Eight subjects are ranked in the top 10, with Theology securing first place nationwide. The University's overall satisfaction was 85.7% in the NSS, placing it 3rd in the Russell Group.

### Teaching Activities

The quality of teaching is shown through the results achieved for all our students:

- 96% of full time students starting their first degree are projected to go through to complete their course and obtain a degree.
- Over 85% of students receive a 1st or 2.1 on course completion across all disciplines.
- 80% of new graduates were in postgraduate education or employment within 6 months of finishing their degree.

### Future Proposals

In May 2016 a White Paper on the future of higher education in the UK titled 'Success as a Knowledge Economy: Teaching Excellence, Social Mobility and Student Choice' was published and a Higher Education Bill is currently progressing through its parliamentary stages. As a result of this:

- A new Teaching Excellence Framework (TEF) is expected to be phased in, beginning with a trial year in 2017/18.
- The regulatory functions of HEFCE and the Office for Fair Access are expected to be merged to create the Office for Students.

## PUBLIC BENEFIT STATEMENT

- The seven UK Research Councils and Innovate UK are expected to merge to create UK Research and Innovation (UKRI). Importantly the dual support system will be maintained. UKRI will also assume responsibility for allocating quality-related research grants to HEIs and oversee future Research Excellence Framework exercises.
- Social mobility remains paramount and targets for higher education will focus on increasing the number of disadvantaged and black and minority ethnic students entering, in addition to existing widening participation targets within HEFCE's Memorandum of Assurance and Accountability.

The Provost and Senior Deputy Vice-Chancellor has been appointed to the TEF panel. This new TEF panel will be responsible for deciding the assessment outcomes, based on recommendations and advice from a wider pool of academic and student assessors.

### RESEARCH AND KNOWLEDGE TRANSFER

Much of the University's research creates a distinctive and measurable impact on society. The University is one of the fastest growing research universities and demonstrates world-class research in all our subject areas. Research is often undertaken in partnership with governments, industry, charities and other social organisations, which ensures its relevance to societal need and that the results are of benefit to us all.

Our academic staff undertake leading research in their subject area; 98% of our research is of 'international quality'. Our world-leading research (4\* level) increased from 17% to 29% in the most recent Research Excellence Framework (REF).

#### Current Achievements

Our researchers continue to make major contributions in a wide range of subject areas including food security, graphene, diabetes, climate impact, the digital economy, global uncertainty, social change, extrasolar planets and renewable energy.

Due to the high quality research noted in the latest REF, HEFCE awarded us an extra £3.8 million for research, the third highest gain amongst English universities.

Some recent examples of research collaborations are:

- Extending the availability of drugs to **combat Alzheimer's disease**: About 800,000 people are living with Alzheimer's disease in the UK today, at a cost of about £23 billion a year. Researchers produced a report in 2010 about the effectiveness and cost-effectiveness of available drugs, which formed the basis for revised NICE guidelines (2011), recommending more widespread drug usage. In 2012 NHS data showed a big increase in drug prescribing since 2010.
- Personalising treatments for patients of **Maturity Onset Diabetes of the Young (MODY)**: The diagnosis and treatment of patients with MODY has been revolutionised by the research of Professors Andrew Hattersley and Sian Ellard. Prior to this, up to 90% of patients with MODY were misdiagnosed as having type 1 or type 2 diabetes. They showed patients could be stratified to achieve delivery of the most appropriate therapy and, as a result, as many as 15,000 patients worldwide have now gained a better quality of life.
- **Future proofing building design**: The Centre for Energy and the Environment has created novel probabilistic weather files for 50 locations across the UK, consisting of hourly weather conditions over a year, which have been used by the construction industry to test resilience of building designs to climate change. They have already had significant economic impact through their use in more than £3 billion worth of infrastructure projects.
- Working with Brazilian policy makers to **prevent dieback of the Amazon rainforest**: Research on the links between the Amazon rainforest and climate change has influenced international climate policy, has directly assisted Brazilian environmental policymakers, and has received international media coverage. The underpinning research spans the vulnerability of the rainforest to human-caused climate change and the mechanisms behind the Amazonian droughts of 2005 and 2010.
- Closer to home the Portable Antiquities Scheme based at the University has helped uncover the **origins of treasure** found by a metal detector on Devon farmland. The treasure is a 250-year-old silver seal matrix which probably belonged to the Southcote family of South Devon.
- Within the classics department a Professor has been working on a **migration, identity and place** project with asylum seekers and schoolchildren in Swansea. The aim is to use art and community activities to enable each of the groups involved to develop and revise their ideas about migration, identity and place and about each other.

#### Looking Forward

We continue to invest in research with the construction of the Living Systems Institute (LSI) on the Streatham Campus, opening in Autumn 2016. The LSI will pioneer novel approaches to understanding diseases and how they can be better diagnosed. It will provide world-class facilities for a world-class research community, which will have the power

to revolutionise the diagnosis and treatment of diseases. The LSI represents the University's largest single capital investment in science; uniting mathematicians, physicists, biologists, and engineers within a cutting-edge, interdisciplinary research environment.

### ACCESSIBILITY

The University of Exeter is committed to an extensive outreach programme to students of all backgrounds, to help them recognise the benefits of higher education and to encourage them to aspire to university. Our admissions policy ensures that no student who can meet our entry requirements is deterred from applying and all applications are considered and evaluated on the basis of individual potential. Central to this approach is the Widening Participation Strategy mission statement: the University aims to "attract, admit and support students with the most potential to succeed at Exeter, irrespective of their background, and to ensure they progress to a fulfilling new experience on completion of their studies with us".

#### Widening Participation

In the 2015/16 Access Agreement, the University budgeted £12 million of additional fee income to fund financial support for students including bursaries and extending the range of outreach activity.

- Collaborative work with Exeter College continues and we are developing a bespoke partnership to ensure that progression activity in the city is supported post-16 as well as post-18. We continue to support schools through the Ted Wragg Trust, which seeks continual educational improvement in Exeter and engages with more than 1,200 primary age pupils each year. Through the Exeter Links programme the University supports 29 'aspirational' schools across Devon, Cornwall, Dorset and Somerset.
- In 2016 the Outreach Office continued with its programme 'Exeter Progression' aimed at Year 12 and 13 students. This programme is focussed around subject areas and its aim is to help students better understand the benefits of university and the possible pathways available by studying different subjects. Student feedback from the 2015 residential was positive with comments including:
 

*"Ambassadors were really nice and knew everything that I asked and they were fun!"*

*"I really like the fact that the sessions were interactive and interesting, not just sitting in a lecture theatre"*
- Across the two 2015 year 12 Exeter Progression residentials, 96% of attendees said they would consider

applying to study at the University of Exeter in the future and 100% saying they would recommend the event to others. The first STAR programme (programme in place prior to Exeter Progression) students to graduate from the University of Exeter did so in July 2015, with all achieving a 2:2 classification or better.

- An IntoUniversity Centre opened in South Bristol in autumn 2015, co-funded by Exeter, Bath and Bristol Universities and the Queen's Trust. IntoUniversity has an established track record in changing the lives and futures of the young people it works with and has an effective evaluation process which is embedded into the work of each Centre. This is the first time an IntoUniversity Centre is collaboratively funded by a number of universities and marks a new model of collaboration for the charity.

In 2015/16 there were 21,273 students at the University, of whom 3,849 were postgraduates. The proportion of state school students has increased by 3.6% and lower socio-economic students has increased by 5.9% since 2011/12.

#### Looking Forward

Following a successful recruitment round in 2015/16, we are continuing to attract high quality undergraduate and postgraduate taught candidates to apply to study here. At undergraduate level, in the context of a declining 18 year old UK population and a sector decline of 0.3% in applications, we have seen our UK applications grow by 6.6%.

We have received a higher proportion of applicants from more diverse backgrounds in terms of applications from aspirational schools (20.5% of our total applications versus 18.6% in 2015) and state schools (70.9% versus 70.1% in 2015). As a result, offers to prospective students in these groups increased with 20% of offers for undergraduate degree placements going to students from aspirational schools (versus 17.7% in 2015) and 69.4% going to students from state schools (68.5% in 2015). Although we are making good progress in this area, we are putting a number of plans in place to ensure we continue to increase the number of students we attract from these groups.

The Vice-Chancellor is a member of a new national group set up during 2016 aimed at improving social mobility within the higher education sector. The Social Mobility Advisory Group, part of Universities UK, will provide advice to the government and support for English universities to improve access and long-term success for under-represented groups in higher education. This will benefit students across the UK and highlights our commitment to widening participation.

As part of our Diamond Jubilee celebrations we have set up a legacy in the form of the Diamond Jubilee Doctoral Scholarship Match Fund which aims to bring more of the

brightest and best research students to Exeter. A £3 million match funding scheme has been set up to encourage donations to support both UK and international PhD Studentships. The University will contribute up to £1 million, with the aim of raising a further £2 million from donations. We cannot project exactly how many students will be funded, this will depend on the split on type of scholarships funded by donors, but we hope at least 40 scholarships will be generated by the scheme.

### THE EXETER EXPERIENCE

#### Improving Employability

To recognise the importance of extra-curricular activities and engaging with the local community, we have set up The Exeter Award. Students gain recognition for completing at least 35 hours of volunteering and/or work experience with other work related skills and experiences. In addition most students have the option of choosing up to 30 credits worth of optional modules. For the first time in March 2016

a University-wide Module Fair was held to give students a chance to find out about modules they could take next year, both from within and outside their disciplines, and learn about modules they may not have otherwise considered.

The University enjoys links with hundreds of international, national and regional companies and organisations; many of which specifically target Exeter graduates. This has been further enhanced by the creation of the Career Zone, a student employability centre within the Forum in Exeter. In Penryn, The Exchange – a £10 million learning, teaching and research hub – has enhanced the student experience, providing access to the full spectrum of academic and support services in one space. Work experience, student business projects and volunteering opportunities are all available for students to increase their employability.

Grand Challenges is an annual interdisciplinary, enquiry led learning experience which improves student employability. During Grand Challenges Week students choose from a range of global issues and, supported by leading academics and external specialists, they carry out group research



to create a solution to their chosen Challenge. This provides knowledge and understanding of our world-leading research and the impact it has.

### ACTIVE AND ENGAGED STUDENTS

#### Volunteering

Our students are active in their local communities, providing thousands of volunteer hours a year helping local elderly, disadvantaged and disabled people. Exeter Student Volunteering, the Students' Guild's largest student group, is dedicated to facilitating volunteering within the local community. Volunteering opportunities range from smART (an after school art club for 5-7 year olds), to dog walking to ActiviTeas (weekly engagement with the elderly community in Exeter). Projects in Falmouth include supporting the local Memory Café, beach cleaning and the Wave Project.

In Exeter, existing community projects have been enhanced this year with the introduction of discipline-based volunteering schemes which link students to local residents via their academic specialisms.

#### Sport

The Sports program at the University has grown from strength to strength. Overall participation in sport is high, with 70% of students being members of the Athletics Union. During 2015/16 in our Intramural sports over 4,000 students participated in 35 recreational leagues across 7 different sports. We had success nationally this year in many sports. We were 5th overall in 2015/16 from over 100 participating universities in the British Universities and Colleges Sport (BUCS) league. Particular highlights of the 22 individual league winners this year were:

- Men's rugby winning BUCS Gold at Twickenham;
- Women's cricket winning BUCS Gold for indoor cricket against Loughborough.

The University of Exeter's High Performance Programme (HPP) has a reputation for encouraging and developing some of the best young sports men and women in the country. It organises the development of our elite sporting infrastructure including the management of our Focus Sports and Sports Scholarship Scheme. Over 300 student athletes benefit from the HPP every year, including up to 50 sports scholars alongside individually supported high performance bursars. Six students and alumni even competed for Team GB at the 2016 Rio Olympic and Paralympic Games.

#### Engaging the community and raising aspirations

Excellence in Exeter and the Cornwall Excellence Awards are annual events organised by the University of Exeter,

aimed at forging links between the University, local schools and colleges, as a way of encouraging young people to engage with higher education. Now in their 10th year, pupils' achievements, whether academic, sporting, artistic or in the community are recognised and heralded by the parents, staff and fellow students at the events.

Our Environment and Sustainability Institute hosts an annual Environment and Sustainability Day, at which over 100 Year 10 students from ten Cornish schools take part in a range of activities and workshops, whose aim is to identify the single greatest challenge the local environment faces. This year pupils took part in workshops about probability and risk, computer modelling sea-level rise, managing conflicting views and balancing ecosystems. Other showcase educational events for local schools and communities, such as the Big Bang Fair South West and Science in the Square in Falmouth, are also hosted by the University.

We contribute to local arts and cultural activities within Exeter and the wider community in Devon and Cornwall, including ongoing financial support for the Northcott Theatre. Throughout the year, the Music Office work tirelessly to support student extra-curricular music. There is a continual programme of musical events, festivals and performances from orchestras to ceillidh. The Arts and Culture team co-ordinate a back-to-back series of exhibitions in the Forum Street.

SETSquared, a partnership between the universities of Exeter, Bath, Bristol, Southampton and Surrey, has helped over 1,000 hi-tech start-ups to develop and raise more than £1bn of investment, as well as contributing over £3.8bn in GVA (Gross Value Added) to the UK economy.

To celebrate the Diamond Jubilee we hosted our first Spring Community Day in March 2016. This was a great success with over 2,000 visitors who enjoyed a variety of events and activities including treasure hunts, garden tours, archery lessons, craft, yoga and football with Exeter City Football club. Visitors took part in a number of interactive workshops and there were demonstrations and exhibits showcasing the cutting-edge research at the University. The great atmosphere was summed up by many visitors on the day:

*"Fab afternoon. My 8 year old is already planning his university career!"*

*"Fantastic day – proud to call myself an Exeter alumnus! Especially liked all the stands sharing some fascinating and highly relevant research topics"*

*"We had a wonderful day as a family! Thank you."*

## PRINCIPLES

The University is committed to best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the Higher Education Code of Governance issued by the Committee of University Chairs in December 2014. These principles and the expectations of the Code are reflected in the Statement of Primary Responsibilities of the University Council, our governing body. This Statement was reviewed during 2015/16 and we are satisfied that it remains compliant with the Code.

### Legal status of the University

The University is exempt from registration as a charity under Schedule 3 of the Charities Act 2011. The Higher Education Funding Council for England (HEFCE) is the regulator for all higher education charities. As a charity, the University must operate for public benefit. This is reported in the previous section of this review.

Members of the University Council are the charity trustees and details of Council membership during the year 2015/16 is detailed on page 20. No trustees received any payment for their trustee duties. Details of the total expenses paid in relation to trustee duties and related party transactions are reported in notes 8 and 34 to the financial statements respectively.

The University operates from four campuses: Streattham and St Luke's in Exeter, and Penryn and Truro in Cornwall. It also has a research and education facility on the Wonford campus of the Royal Devon and Exeter NHS Foundation Trust in Exeter.

## GOVERNANCE

The Charter and Ordinances require the University to have two separate bodies, Council and Senate, each with clearly defined functions and responsibilities, to oversee and manage its activities along with College Executive Groups. Supporting the Vice-Chancellor with the management and strategic direction of the University is the Vice-Chancellor's Executive Group (VCEG), more details of which are given under the section on management.

### Council

Council is the governing body of the University, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. There are 22 members of Council, the

majority of members are from outside the University (lay members). The members include representatives of staff and students. Council met seven times during 2015/16, including one away day.

### Senate

Senate is the academic authority of the University and its role is to direct and regulate the teaching and research work of the University. Senate draws its membership from senior academic and other staff and representatives of the students of the University. It is chaired by the Vice-Chancellor and meets at least 3 times a year with an additional joint meeting with Council in May each year.

### Council Committees

There are four Council committees: Audit, Council Nominations, Remuneration and a Joint Committee for Consultation and Negotiation. There is also a Professorial and Senior Salaries Committee which reports to the Remuneration Committee. The decisions and recommendations of these committees are formally reported to Council. These committees are formally constituted as committees of Council with written terms of reference and specified membership, including a significant proportion of lay members (from whom a chairman is selected).

The **Nominations** Committee is responsible for making recommendations to Council in relation to nominations for the posts of Chancellor, Pro-Chancellor and Chair of Council. It also makes recommendations in relation to the nominations for lay members of Council, to other Council committees and to joint Senate and Council committees.

**Audit** Committee is appointed by Council and consists of members with no executive responsibility for the management of the University. The Committee is responsible for reviewing and commenting on the University's financial statements along with its arrangements for governance, internal control, risk management and data assurance. The Committee considers detailed reports from the University's external and internal auditors. It meets four times a year with the University's senior officers and the external and internal auditors in attendance. At least once a year the Committee meets the auditors without the University officers present.

The **Remuneration** Committee is responsible for determining the Reward Strategy of the University and for setting the remuneration of the senior managers – including the Vice-Chancellor, Registrar and Secretary and other members of the VCEG – within the parameters of the Reward Strategy.

The Committee oversees the decisions taken by the Professorial and Senior Salaries Committee on the remuneration of Professors and senior staff within the Professional Services. The Committee is responsible for the Executive Performance Reward Schemes for members of VCEG, Deans, College Executives and Directors of Professional Services.

The Committee is chaired by the Pro-Chancellor (Finance). The Chair of Council, three other lay members of Council, the Vice-Chancellor and the Provost are also members of the Committee. Since spring 2016, the President of the Students' Guild has also been in attendance. The Registrar and Secretary and the Director of Human Resources attend meetings in an advisory capacity. No member of staff is present for the discussion of their own remuneration.

The Committee meets at least twice each year. At the beginning of each year, it sets institutional and personal performance targets for the year ahead under the Executive Performance Reward Scheme. Performance against the previous year's institutional and personal performance targets are reviewed at this meeting and decisions are made on whether any performance-related payments should be made. At the end of the year, the Committee reviews the base salaries of senior managers, taking account of market intelligence, affordability and performance.

To improve accountability, governance and transparency, the Committee presents a report to lay members of Council each autumn.

## Senate Committees

Although Senate meets regularly each academic year, much of its detailed work is delegated to committees, in particular the Taught Programmes and Graduate Research Faculty Boards and the Flexible Combined Honours Degree Board of Studies.

Further information about Council and Senate Committees can be found at: [www.exeter.ac.uk/about/organisation/governance/committees/](http://www.exeter.ac.uk/about/organisation/governance/committees/)



## REMUNERATION

The Remuneration Committee is guided by the Reward Strategy, which sets out the overarching principles for executive reward:

- To reward excellence and competency;
- To be more transparent about the total reward package and how reward is determined;
- To apply a consistent framework to reward which recognises different staff categories;
- To further reinforce the embedding of equality in our approach towards reward;
- To promote the total reward package (financial and non-financial);
- To develop clear initiatives which facilitate career and reward progression;
- To focus reward on positive stewardship of the University and legacy;
- To clearly contribute to key University strategies; and
- To minimise bureaucracy whilst maintaining governance.

The Committee met on four occasions in the financial year 2015/16 and again at the beginning of the 2016/17 autumn term. During these meetings, the Committee considered the following matters:

### Executive Reward

Under the Executive Performance Reward Scheme, senior managers are considered for a performance reward each year, with part being conditional upon the University achieving annual institutional targets and part upon the role holder achieving annual personal targets agreed by the Committee. The Committee reviewed both the annual institutional targets and annual personal targets to ensure that they are directly linked to the institutional strategies of the University and agreed them.

In addition, to recognise long-term performance, the Committee has set targets for 2014/15 to 2016/17, with the opportunity for a performance payment at the end of this three-year period subject to achievement of these long-term targets. The Committee reviewed progress of achievement of these long-term targets to 2015/16.

In 2015/16, the Committee reviewed the salaries of members of the Vice-Chancellor's Executive Group and Directors of Professional Services in accordance with this more structured approach towards executive reward. Information about increases which were agreed was reported to lay members of Council.

## Professorial Pay

The Committee reviewed the outcomes of the Professorial and Senior Salaries Committee, including the implementation of the new salary banding arrangements for Professors. The Committee gave particular attention to the equality analysis of the outcomes of the Committee and sought assurances from the senior management of the University that female professors are being equally rewarded as male professors.

## Strategy and succession planning

- The Committee received progress report on the development of a new People Strategy and will continue to monitor the progress of this initiative.
- The Committee received a progress report on succession planning for senior management roles within the University. (It has been since agreed that Council Nominations Committee will be responsible for monitoring succession planning.)
- The Committee received reports on the implications of government changes to the taxation of pension benefits for senior managers and continued to keep its current policy under review.

To improve accountability, governance and transparency, Council had the opportunity to review the work of the Remuneration Committee at its meeting in October 2015 (with only lay members of Council in attendance). This is repeated each year.

## DUAL ASSURANCE

The University's business is governed through a mechanism known as dual assurance. As its name suggests, this model involves two people. The first of these is a member of VCEG, who takes responsibility for the management and development of policy in a particular area of business. The other is a lay member of Council, knowledgeable in the same area, who provides assurance to Council that this activity is well-managed and that decisions have been reached following due process and appropriate consultation. 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.

The table below shows the areas governed through dual assurance and the management and lay leads as at November 2016:

Business Area	Management Lead	Lay Lead
Finance and Investment	Chief Financial Officer	Richard Hughes
Research, Innovation and Business	DVC (Research and Impact) and DVC (Innovation and External Engagement)	Sir John O'Reilly
Human Resources and Health and Safety (including Wellness)	Director of Human Resources	Richard Atkins
Equality and Diversity	DVC (Innovation and External Engagement)	Kiron Farooki
Infrastructure and Environmental Sustainability	Registrar and Secretary	Dr Sarah Buck
Information Technology	Registrar and Secretary	Richard Sargaent
Education	DVC (Education)	Sir Michael Barber
Global Engagement and Development	Provost	Gerry Brown
Risk	Registrar and Secretary	Judy Hargadon
Communication and Reputation	Director of Communication and Corporate Affairs	Jo Binding
Sport	Registrar and Secretary	Nicholas Bull
Ethics	DVC (Research and Impact)	Professor Steve Tomlinson

## MANAGEMENT

The principal academic and administrative officer of the University is the Vice-Chancellor who has general responsibility to Council and Senate for maintaining and promoting the efficiency and good order of the University. Under the terms of the Memorandum of Assurance and Accountability between the University and HEFCE, the Vice-Chancellor is the accountable officer of the University.

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

VCEG comprises the senior management team of the University. Led by the Vice-Chancellor and Chief Executive, it comprises the Provost, Chief Operating Officer, three Deputy Vice-Chancellors, Chief Financial Officer, the Director of Communications and Corporate Affairs and the Director of Human Resources. From 1 August 2015 its membership was extended to include the six Pro Vice-Chancellors who lead the Colleges. Details of VCEG membership as at the signing of these accounts is given at the front of the financial statements.

### CODE OF PRACTICE

Council has adopted the Committee of University Chairs Higher Education Code of Practice, issued in December 2014. In accordance with the Code, the Council has adopted a Statement of Primary Responsibilities which is based on the Code's model and adapted to reflect the powers and responsibilities derived from University Statutes.

In accordance with the Code, Council undertook a review of its effectiveness during 2013/14 and produced an action plan in response to the recommendations raised.

### SYSTEM OF INTERNAL CONTROL

Council has responsibility for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible. The system of internal control is designed to 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 the University's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2016 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

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

The VCEG has responsibility for risk management, receiving updated risk registers from Colleges and Services, updating the corporate risk register and reporting on risk to Council throughout the year. Council and VCEG are assisted in the definition and scoring of risk across the institution and the development of risk management policies by the Risk Dual Assurance Group. The work these key groups with regard to risk is supported by the Governance and Compliance Office.

Responsibility for the operational management of individual corporate, college and professional services risks rests with risk owners and the risk facilitators in these areas. Risks are evaluated on their likelihood and the impact of risks becoming a reality. Key risk are escalated to Council and VCEG as part of their termly reporting, or sooner through the dual assurance governing mechanism. These reports are used to inform the Corporate, Colleges and Professional Services risk registers considered by VCEG, Council and Audit Committee. This ensures that the risk information provided via the registers to VCEG and Council includes business, operational, compliance and financial risk from all areas of the University.

Since the beginning of 2015/16 academic year, the University has used a tolerance / appetite model of risk reporting. This approach is underpinned by four categories: risk averse, unknown risk, managed risk and risk reward. These categories have different reporting thresholds and allow management to understand tolerance of risk in a more granular and focused manner (e.g. by setting lower reporting levels for compliance risks and higher ones for strategic risks). This model has allowed the University to better understand its key risks and put in place mitigating actions in partnership with its Colleges and Professional Services.

### FUNDRAISING STANDARDS

In line with the Charities (Protection and Social Investment) Act 2016, the University is required to provide additional information about fundraising activities for the University and Exeter University Foundation (the Foundation).

The University of Exeter employs a team of professional fundraisers, including a number of student telephone fundraisers, to raise new funds through a variety of methods, namely: legacy fundraising, major gift fundraising from individuals, fundraising from charitable trusts and foundations and low level fundraising asks made via telephone, email, mail, or crowdfunding.

The University takes a long-term approach to fundraising, taking time to develop relationships with potential donors and then carefully stewarding existing donors. The University engages all alumni, whether they choose to donate or not, and is keen to maintain mutually beneficial relationships with all its stakeholders. The University is careful to ensure that its approach to fundraising protects vulnerable people and other members of the public from unreasonable intrusion, persistent approaches or from placing undue pressure on a person to give money or other property.

- The University provides regular opportunities for all alumni and other individuals being solicited to opt out of all or some of a variety of fundraising approaches. These preferences are accurately recorded on the central database and are reflected in data selections for specific appeals.
- The University of Exeter does not actively fundraise from individuals over the age of 80 by telephone or over the age of 83 for postal or e-appeals, where age is known or suspected. Donors over the age of 80 are informed of the impact of their existing donations by post and phone, but are not asked to increase their donations.
- All alumni, regardless of age, receive generic communications from the University, updating them about the University's activities and progress, including the impact of previous donations. These communications may include details of how to support the University.
- The University does not solicit donations from each individual more than once per year over the telephone or more than four times per year through direct mail.

All fundraising staff are trained to ensure that no undue pressure is placed on potential donors. The University takes a life-long approach to relationships with alumni and others and does not want to impede those relationships by pressuring individuals to make donations.

Activities carried out by fundraisers are monitored through standard University procedures surrounding Performance Development Reviews. All fundraising activity is recorded on a central database.

The Exeter University Foundation (The Foundation) does not actively fundraise. Rather, should any donors who are being solicited by fundraisers working for the University of Exeter prefer to give to a registered rather than an exempt charity, then the Foundation will be suggested as a suitable recipient. The only other income received by the Foundation is legacy income.

Neither the University nor the Foundation nor any person acting on behalf of either organisation was subject to an undertaking to be bound by any voluntary scheme for regulating fund-raising, or any voluntary standard of fund-raising, in respect of activities on behalf of the charity.

The University received no complaints about its fundraising activities for the year to 31 July 2016.



## RESPONSIBILITIES OF COUNCIL

The Council 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. These records shall 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.

With respect to these financial statements, Council has taken reasonable steps, through its senior officers and Audit Committee, to ensure that:

- suitable accounting policies have been selected and applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting and financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to assume that the University of Exeter will continue in operation.

In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between HEFCE and the University and the Funding Agreement agreed between the National College for Teaching and Leadership (NCTL) and the University, Council through its designated office holder (the Vice-Chancellor), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

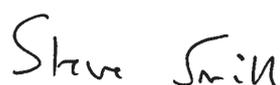
- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensure that funds from the NCTL are used only for the purposes for which they have been given and in accordance with the agreement between NCTL and the University and any other conditions which the NCTL may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and of the Group and to prevent and detect fraud and other irregularities; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

Council recognises its responsibility for the maintenance and integrity of the University's website when publishing through this medium and notes that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Corporate Governance Statement and Responsibilities of the Council of the University on pages 14 to 18 were approved by Council on 24 November 2016 and signed on its behalf by:



**S. Turvill**  
Chair of Council



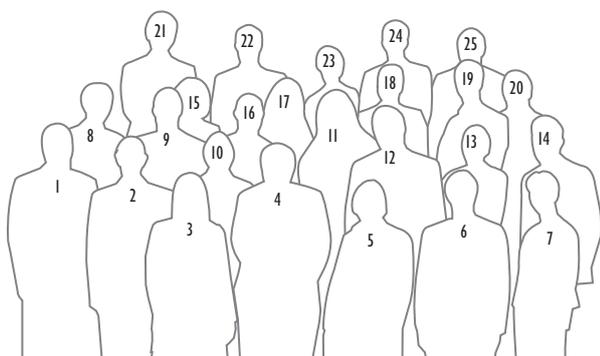
**Professor Sir S. Smith**  
Vice-Chancellor and Chief Executive

## MEMBERSHIP OF COUNCIL



### MEMBERS OF COUNCIL \*

From left to right



#### Front row:

- 1 Richard Atkins CBE\*
- 2 Sir John O'Reilly\*
- 3 Professor Janice Kay\*
- 4 Professor Sir Steve Smith\*
- 5 Sarah Turvill\*
- 6 Richard Hughes\*
- 7 Dr Sarah Buck OBE\*

#### Third row:

- 15 Alison Reed\*
- 16 Gerry Brown\*
- 17 Judy Hargadon OBE\*
- 18 Jo Binding\*
- 19 Richard Sargeant\*
- 20 Scott Farmer

#### Second row:

- 8 Nicholas Bull\*
- 9 Professor Mark Goodwin
- 10 Jacqui Marshall
- 11 Sally Turner\*
- 12 Mike Shore-Nye
- 13 Kiron Farooki\*
- 14 Professor Tim Quine\*

#### Top row

- 21 Tom Murray-Richards
- 22 Professor David Hosken\*
- 23 Professor Michelle Ryan\*
- 24 Toby Gladwin\*
- 25 Andrew Connolly

#### Officers:

Sarah Turvill, Pro-Chancellor and Chair of Council  
 Peter Lacey, Pro-Chancellor (appointment ended 31 July 2016)  
 Dr Sarah Buck OBE, Pro-Chancellor (appointed 1 August 2016)  
 Richard Hughes, Pro-Chancellor  
 Professor Sir Steve Smith, Vice-Chancellor and Chief Executive  
 Professor Janice Kay, Provost and Senior Deputy Vice-Chancellor  
 Professor Nick Talbot, Deputy Vice-Chancellor

#### Members appointed by Council:

Gerry Brown  
 Nicholas Bull  
 Judy Hargadon OBE  
 Professor Stephen Tomlinson CBE  
 Sir Michael Barber  
 Sir John O'Reilly  
 Jo Binding (appointed 1 August 2016)  
 Alison Reed (appointed 1 August 2016)

Dr Sarah Buck OBE (appointment ended 31 July 2016)  
 Amanda Conroy (appointment ended 31 July 2016)  
 Sir Robin Nicholson (appointment ended 31 July 2016)  
 Sally Wilcox (appointment ended 31 July 2016)  
 Bettina Rigg (appointment ended 31 July 2016)  
 Richard Atkins CBE (appointed 1 August 2016)  
 Richard Sargeant (appointed 1 August 2016)  
 Kiron Farooki (appointed 1 August 2016)  
 Professor David Hosken (appointed 1 August 2016)

#### Members appointed by the Senate:

Professor Tim Quine  
 Professor Michelle Ryan  
 Dr Andrew Shaw (appointment ended 31 July 2016)

#### Member of Staff other than Academic Staff:

Sally Turner

#### Student Member:

Laura-Jane Tiley (appointment ended 31 July 2016)  
 Toby Gladwin (appointed 1 August 2016)

We have audited the financial statements of the University of Exeter for the year ended 31 July 2016 which comprise the Group and University Statement of Comprehensive Income, the Group and University Statement of Changes in Reserves, the Group and University Balance Sheets, the Group Cash Flow Statement, and the 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Council of the University of Exeter ("Council"), in accordance with section 8 of 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 Council Statement, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements.

#### **Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements have been met.

**Michael Rowley**

for and on behalf of

**KPMG LLP, Statutory Auditor**

*Chartered Accountants*

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

30 November 2016

## BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice 2015 (SORP 2015): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard 102 (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

The financial statements are prepared in accordance with the historical cost convention except for the revaluation of heritage assets, investment property, pensions and swaps.

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

## BASIS OF CONSOLIDATION

The results of the University's subsidiary undertakings and undertakings in which it has a controlling interest for the financial year to 31 July 2016, have been consolidated in the financial statements. Details of these subsidiaries are provided in Note 18.

Joint Ventures are accounted for using the equity method. The University's share of income and expenditure in joint venture entities is recognised in the consolidated Statement of Comprehensive Income, and its share of assets and liabilities in joint venture entities are recognised in the consolidated Balance Sheet. Details of these joint ventures are provided in Note 19.

The consolidated financial statements do not include the income and expenditure of the University of Exeter Students' Guild as the University does not operate dominant or significant influence over its activities.

## RECOGNITION OF INCOME

### Recurrent grants and Tuition fees

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

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

### Grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. If no performance conditions exist, income is recognised on entitlement. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grants are recognised in income when the University is entitled to the funds, subject to any performance related conditions being met.

### Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. 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.
3. 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.
4. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.

Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the University is entitled to the funds.

Gifts in kind are included in donations using a reasonable estimate of their gross value or the amount actually realised.

### Other income

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Investment income 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.

The University acts as an agent in the collection and payment of hardship funds and training bursaries from the funding bodies. Related receipts from HEFCE and NCTL and subsequent disbursement to students are excluded from the income and expenditure account. Details are provided in Notes 35 and 36 of transactions in the year.

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, income represents the value of work done in the year, including estimates of amounts not invoiced. Income in respect of long-term contracts for on-going services is recognised by reference to the stage of completion.

### ACCOUNTING FOR RETIREMENT BENEFITS

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. They were contracted out of the State Second Pension until April 2016. Each fund is valued every three years by professionally qualified independent actuaries.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities attributable to the University due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme. A scheme wide contribution rate is set and the institution is therefore exposed to actuarial risks associated with the other institutions' employees. As a result the amount charged to the staff costs represents the contribution payable to the scheme in the accounting period and a liability is recorded within provisions for any contractual commitment to fund past deficits at a discounted rate within the USS scheme. The University has entered into an agreement with USS to fund a share of the scheme deficit. These agreed future contributions are recognised as a provision in the financial statements, with any movements in the provision charged to staff costs.

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

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets at bid price (and any unrecognised past service costs) are deducted.

### EMPLOYMENT BENEFITS

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

### FINANCE LEASES

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### SERVICE CONCESSION ARRANGEMENTS

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

### OPERATING LEASES

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

## 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 at the balance sheet date are translated into sterling at the foreign exchange rate ruling at that date. Resulting exchange differences arising on translation are recognised in the income statement (except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive Income).

## TAXATION

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the 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 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

## TANGIBLE AND INTANGIBLE ASSETS

Non-current tangible and intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Land and buildings that had been revalued to fair value on or prior to the date of transition to the SORP 2015, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets, in line with component accounting.

## Capitalisation

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

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

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

Intangible assets held by the University relates to software.

## Heritage assets

Heritage assets are capitalised and recognised at the cost or value of the acquisition where such a cost or valuation is reasonably obtainable. Where reliable estimates of cost or value are not available on a cost-benefit basis, these assets are omitted from the financial statements. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

Any costs of maintaining and displaying the collection are reported in the Statement of Comprehensive Income in the year that they are incurred.

## Depreciation

Research grant funded assets are depreciated over the life of the grant. For all other assets, a full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal. All depreciation is calculated on a straight line basis as follows:

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

Building works that are greater than £150,000 are analysed into the following components:

Component	Life
Building shell	40-60 years
Mechanical and Engineering Services	10-30 years
Fit Out	20 years

### INVESTMENT PROPERTY

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Rental property held primarily for the provision of social benefits (e.g. student residences) are accounted for as tangible fixed assets rather than Investment Property, in accordance with FRS 102.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Surplus or Deficit. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

### INVESTMENTS

Non-current investments are held on the Balance Sheet at amortised cost less impairment. Current asset investments are included in the balance sheet at fair value. Increases/decreases in value arising on the revaluation of fixed asset investments are recognised in the Surplus or Deficit.

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

### STOCK

Stock is shown at the lower of cost and net realisable value and is measured using a first in first out formula. Where necessary, provision is made for obsolete, slow-moving and defective stocks. Stocks of consumables held for administration purposes and in Colleges are not valued.

### CASH AND CASH EQUIVALENTS

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.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change of value. They exclude any such assets held as endowment asset investments.

### DERIVATIVES AND HEDGE ACCOUNTING

The University uses derivative financial instruments (interest rate swaps) to reduce exposure to interest rate movements on its loans. These derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa.

Derivatives are held on the Balance Sheet at fair value. The University has adopted and complied with the requirements of hedge accounting and as a result movements in fair value are recorded within other comprehensive income.

### PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in the financial statements when

- a) the University has a present obligation (legal or constructive) as a result of a past event;
- b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes when required.

## RESERVES

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

## ACCOUNTING ESTIMATES AND JUDGEMENTS

### Key sources of estimation uncertainty

The University makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets so these are re-assessed annually and amended when necessary to reflect current estimates. See note 15 for the carrying amount of the property, plant and equipment, and the tangible assets accounting policy for the useful economic lives for each class of assets.

### Impairment of debtors

The University makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 20 for the net carrying amount of the debtors and associated impairment provision.

### Pensions- ERBS

FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, long, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the University's retirement benefit obligation and pension assets.

### Pensions- USS

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the surplus. The University are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

### Critical accounting judgements in applying the University's accounting policies

There are no such judgements in either the current or prior year.

## TRANSITION TO 2015 SORP

The University has prepared these financial statements in accordance with FRS 102 for the first time and consequently has applied its first time adoption requirements. An explanation of how the transition to the revised Further and Higher Education SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 1.

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period. The following exemption has been taken into these financial statements: Revaluation as deemed cost – 31 July 2014 fair value has been used for deemed cost for properties measured at fair value.

UNIVERSITY OF EXETER  
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

	Note	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Group £'000	University £'000	Group £'000	University £'000
<b>INCOME</b>					
Tuition fees and education contracts	2	203,549	203,549	181,580	181,580
Funding body grants	3	46,261	46,261	41,238	41,238
Research grants and contracts	4	61,393	61,393	62,347	62,347
Research and development expenditure credit	4	460	460	7,579	7,579
Other income	5	56,620	56,326	63,209	62,903
Investment income	6	1,233	1,239	1,731	1,731
Endowments and donations	7	1,600	2,321	2,474	2,665
<b>Total income</b>		<b>371,116</b>	<b>371,549</b>	<b>360,158</b>	<b>360,043</b>
<b>EXPENDITURE</b>					
Staff costs	8	185,537	185,470	177,766	177,676
Staff costs – movement on pension provision	8	(1,267)	(1,267)	16,575	16,575
Restructuring costs	9	-	-	7,452	7,452
Operating expenses	10	124,949	124,451	110,162	110,016
Depreciation	11	37,869	37,869	36,115	36,106
Interest and other finance costs	12	11,091	11,091	10,383	10,383
<b>Total expenditure</b>		<b>358,179</b>	<b>357,614</b>	<b>358,453</b>	<b>358,208</b>
<b>Surplus before other gains/(losses) and share of operating surplus/(deficit) of joint ventures</b>		<b>12,937</b>	<b>13,935</b>	<b>1,705</b>	<b>1,835</b>
(Loss) / Gain on investments	18	(63)	(63)	1,875	1,875
Share of operating surplus in joint venture	19	1,650	-	1,122	-
<b>Surplus before tax</b>		<b>14,524</b>	<b>13,872</b>	<b>4,702</b>	<b>3,710</b>
Taxation	13	(14)	(14)	(1,743)	(1,743)
<b>Surplus for the year</b>		<b>14,510</b>	<b>13,858</b>	<b>2,959</b>	<b>1,967</b>
Actuarial (loss)/gain in respect of pension schemes	32	(3,739)	(2,282)	(8,948)	(7,994)
Change in fair value of financial instruments	25	(19,875)	(19,870)	(12,771)	(12,824)
<b>Total comprehensive income for the year</b>		<b>(9,104)</b>	<b>(8,294)</b>	<b>(18,760)</b>	<b>(18,851)</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year	26/27	(664)	(664)	2,932	2,932
Unrestricted comprehensive income for the year	28	(8,105)	(7,555)	(21,439)	(21,789)
Revaluation reserve comprehensive income for the year	29	(335)	(75)	(253)	6
		<b>(9,104)</b>	<b>(8,294)</b>	<b>(18,760)</b>	<b>(18,851)</b>

All items of income and expenditure relate to continuing activities

UNIVERSITY OF EXETER  
STATEMENT OF CHANGES IN RESERVES

Group	Endowment Reserve £'000	Unrestricted Income and Expenditure £'000	Revaluation Reserve £'000	Total £'000
<b>Balance at 1 August 2014</b>	<b>30,265</b>	<b>450,777</b>	<b>22,343</b>	<b>503,385</b>
Surplus/(deficit) from the income and expenditure statement	2,932	21	6	2,959
Other comprehensive income	-	(21,719)	-	(21,719)
Transfers between revaluation and income and expenditure reserve	-	259	(259)	-
<b>Total comprehensive income for the year</b>	<b>2,932</b>	<b>(21,439)</b>	<b>(253)</b>	<b>(18,760)</b>
<b>Balance at 1 August 2015</b>	<b>33,197</b>	<b>429,338</b>	<b>22,090</b>	<b>484,625</b>
Surplus/(deficit) from the income and expenditure statement	(664)	15,249	(75)	14,510
Other comprehensive income	-	(23,614)	-	(23,614)
Transfers between revaluation and income and expenditure reserve	-	260	(260)	-
<b>Total comprehensive income for the year</b>	<b>(664)</b>	<b>(8,105)</b>	<b>(335)</b>	<b>(9,104)</b>
<b>Balance at 31 July 2016</b>	<b>32,533</b>	<b>421,233</b>	<b>21,755</b>	<b>475,521</b>
<b>University</b>	<b>Endowment Reserve £'000</b>	<b>Unrestricted Income and Expenditure £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Total £'000</b>
<b>Balance at 1 August 2014</b>	<b>30,265</b>	<b>452,442</b>	<b>7,226</b>	<b>489,933</b>
Surplus/(deficit) from the income and expenditure statement	2,932	(971)	6	1,967
Other comprehensive income	-	(20,818)	-	(20,818)
Transfers between revaluation and income and expenditure reserve	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>2,932</b>	<b>(21,789)</b>	<b>6</b>	<b>(18,851)</b>
<b>Balance at 1 August 2015</b>	<b>33,197</b>	<b>430,653</b>	<b>7,232</b>	<b>471,082</b>
Surplus/(deficit) from the income and expenditure statement	(664)	14,597	(75)	13,858
Other comprehensive income	-	(22,152)	-	(22,152)
Transfers between revaluation and income and expenditure reserve	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>(664)</b>	<b>(7,555)</b>	<b>(75)</b>	<b>(8,294)</b>
<b>Balance at 31 July 2016</b>	<b>32,533</b>	<b>423,098</b>	<b>7,157</b>	<b>462,788</b>

The University has no restricted Income and Expenditure Reserves.

# UNIVERSITY OF EXETER BALANCE SHEETS

	Note	As at 31 July 2016		As at 31 July 2015	
		Group £'000	University £'000	Group £'000	University £'000
<b>Non-current assets</b>					
Intangible assets	14	3,759	3,759	2,850	2,850
Fixed assets	15	692,934	690,698	684,619	682,382
Heritage assets	16	7,244	7,244	7,171	7,171
Investments	18	42,039	44,478	41,895	44,334
Investment in joint venture	19	13,050	-	13,584	-
		<b>759,026</b>	<b>746,179</b>	750,119	736,737
<b>Current assets</b>					
Stock		484	484	414	411
Receivables falling due within one year	20	27,150	27,514	32,546	32,630
Receivables falling due after one year	20	16,192	16,192	16,325	16,325
Investments	21	69,818	69,818	51,605	51,605
Cash and cash equivalents		49,874	49,398	50,688	50,285
		<b>163,518</b>	<b>163,406</b>	151,578	151,256
Less: Creditors: amounts falling due within one year	22	(101,248)	(101,080)	(89,496)	(89,335)
<b>Net current assets</b>		<b>62,270</b>	<b>62,326</b>	62,082	61,921
<b>Total assets less current liabilities</b>		<b>821,296</b>	<b>808,505</b>	812,201	798,658
Creditors: amounts falling due after more than one year	23	(268,456)	(268,398)	(255,092)	(255,092)
<b>Provisions</b>					
Pension provisions	33	(74,719)	(74,719)	(72,484)	(72,484)
Other provisions	33	(2,600)	(2,600)	-	-
<b>Total net assets</b>		<b>475,521</b>	<b>462,788</b>	484,625	471,082
<b>Restricted Reserves</b>					
Endowment reserve	26/27	32,533	32,533	33,197	33,197
<b>Unrestricted Reserves</b>					
Income and expenditure reserve	28	421,233	423,098	429,338	430,653
Revaluation reserve	29	21,755	7,157	22,090	7,232
<b>Total Reserves</b>		<b>475,521</b>	<b>462,788</b>	484,625	471,082

The financial statements on pages 27 to 64 were approved by Council on 24 November 2016 and were signed on its behalf by:



**Professor Sir S Smith**  
Vice-Chancellor and Chief Executive



**S Turvill**  
Chair of the Council



**A Connolly**  
Chief Financial Officer

UNIVERSITY OF EXETER  
CONSOLIDATED CASH FLOW STATEMENT

		Year Ended 31 July 2016	Year Ended 31 July 2015
	Note	£'000	£'000
<b>Cash inflow from operating activities</b>			
Surplus for the year		14,510	2,959
<b>Adjustment for non-cash items</b>			
Depreciation	15	37,112	35,306
Amortisation of intangibles	14	757	809
Gain/(loss) on investments	18	63	(1,875)
(Increase)/decrease in stock		(70)	23
Decrease/(increase) in debtors	20	5,648	(1,047)
Increase in creditors	23	6,765	2,856
Decrease/increase in pension provision	33	2,235	18,929
Increase in other provisions	33	2,600	-
Share of operating (surplus) in joint venture		(534)	(1,244)
		<b>54,576</b>	<b>53,757</b>
<b>Adjustment for investing and financing activities</b>			
Investment income		(336)	(1,731)
Interest and other finance costs	12	11,091	10,383
New endowments	7	(1,217)	(1,460)
Loss/(profit) on the sale of fixed assets		117	(102)
Capital grant receipts		(8,782)	(9,989)
		<b>873</b>	<b>(2,899)</b>
		<b>69,959</b>	<b>53,817</b>
<b>Net cash inflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		-	368
Disposal of non-current asset investments		(128)	(928)
Investment income		-	1,731
Capital grants receipts		8,782	9,989
New non-current asset investments		-	2,195
(Withdrawal) of deposits		(18,214)	(22,476)
Payments made to acquire fixed assets		(32,431)	(43,853)
Payments made to acquire intangible assets		(1,667)	(268)
		<b>(43,658)</b>	<b>(53,242)</b>
<b>Net cash outflow from investing activities</b>			
<b>Cash flows from financing activities</b>			
Interest and other finance costs		(11,208)	(10,342)
New endowments		1,217	1,460
New unsecured loans		-	73
Repayments of amounts borrowed		(3,887)	(4,094)
Capital element of finance lease and service concession payments		(13,237)	(13,677)
		<b>(27,115)</b>	<b>(26,580)</b>
<b>Net cash outflow from financing activities</b>			
<b>(Decrease) in cash and cash equivalents in the year</b>			
		<b>(814)</b>	<b>(26,005)</b>
Cash and cash equivalents at beginning of the year		50,688	76,693
Cash and cash equivalents at end of the year		49,874	50,688

**NOTE 1 TRANSITION TO FRS 102 AND THE 2015 SORP**

These financial statements are the first to be prepared in accordance with FRS 102 and the SORP 2015. The accounting policies set out in pages 22 to 26 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information for the year ended 31 July 2015 and in the preparation of an opening Balance Sheet at 1 August 2014. In preparing its FRS 102 and SORP 2015 based Balance Sheets, the University has adjusted amounts reported previously in financial statements prepared in accordance with the former basis of accounting under SORP 2007.

An explanation of how the transition to FRS 102 and the SORP 2015 has affected the University's financial position, financial performance and cash flows is set out in the following tables:

<b>Financial Position</b>	<b>As at 1 August 2014</b>		<b>As at 31 July 2015</b>	
	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Total reserves under SORP 2007</b>	<b>395,941</b>	<b>393,022</b>	<b>401,992</b>	<b>398,854</b>
Release of deferred capital grants	144,291	144,291	150,172	150,172
Fair value of financial instruments	(26,687)	(26,687)	(39,510)	(39,510)
USS pension provision	(19,629)	(19,629)	(37,730)	(37,730)
Revaluation of fixed assets	10,533	-	10,359	-
Grant income	151	151	372	372
Investment Property	252	252	253	253
Employee leave accrual	(1,467)	(1,467)	(1,283)	(1,329)
<b>Total effect of transition to FRS 102</b>	<b>107,444</b>	<b>96,911</b>	<b>82,633</b>	<b>72,228</b>
<b>Total reserves under SORP 2015</b>	<b>503,385</b>	<b>489,933</b>	<b>484,625</b>	<b>471,082</b>

Total reserves, as at 31 July 2015, have increased by £83m as a result of the change of accounting standards and changes to accounting policies permitted by the new standards.

The most material impact arises from the adoption of the performance model in recognising government capital grants which has the effect of reclassifying £150m of former deferred capital grant balances as unrestricted Income and Expenditure reserves.

Within total reserves, the adoption to deemed cost for land and buildings has also resulted in £285m of former revaluation reserves being classified as unrestricted Income and Expenditure reserves.

New liabilities relating to the first-time recognition of financial instruments and the USS deficit recovery plan have the effect of reducing the value of reserves.



**NOTE 1 TRANSITION TO FRS 102 AND THE 2015 SORP (Continued)**

<b>Financial Performance</b>	<b>Year ended 31 July 2015</b>	
	<b>Group £'000</b>	<b>University £'000</b>
<b>Surplus for the year under SORP 2007</b>	<b>13,210</b>	<b>12,096</b>
Deferred capital grant treatment	(6,488)	(6,488)
USS pension provision	(18,101)	(18,101)
Grant income	12,808	12,808
Employee leave accrual	138	260
ERBS pension liability	(1,833)	(1,833)
Endowment Fund manager fees	(110)	(110)
Gain on investments	1,875	1,875
Endowments shown in the Statement of Recognised Gains and Losses	1,460	1,460
<b>Total effect of transition to FRS 102</b>	<b>(10,251)</b>	<b>(10,129)</b>
<b>Surplus for the year under SORP 2015</b>	<b>2,959</b>	<b>1,967</b>

The surplus for the prior year in 2014/15 has reduced by £10m as a result of the new accounting standards.

The most material change is as a result of the first-time recognition of the USS deficit recovery plan liability, with an increase of £18.1m in the liability, driven by the fact that the current recovery plan was agreed by the sector in July 2015. In subsequent years the liability is expected to change by more modest amounts but it may well change very materially at each successive triennial valuation of the scheme.

The impact of adopting the performance model for the recognition of government grants shows itself in two ways. The surplus no longer benefits from the release of deferred capital grants (£6.5m in 2014/15) as this is replaced by the recognition of capital grants when performance conditions are satisfied (amounting to a credit of £12.8m in 2014/15). One potential consequence of this accounting change is that future surpluses will be more volatile, as capital grants can vary each year in amount.

**Cash flows**

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments and endowment assets to cash and cash equivalents as shown above.



## NOTES TO THE ACCOUNTS

### NOTE 2 TUITION FEES AND EDUCATION CONTRACTS

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000
Full-time home and EU students	134,488	134,488	120,826	120,826
Full-time international students	57,992	57,992	51,525	51,525
Part-time home and EU students	3,118	3,118	2,804	2,804
Part-time international students	707	707	638	638
Research Training Support Grant	5,726	5,726	4,179	4,179
Non-credit bearing course fees and other tuition fees	1,518	1,518	1,608	1,608
	<b>203,549</b>	<b>203,549</b>	<b>181,580</b>	<b>181,580</b>

### NOTE 3 FUNDING BODY GRANTS

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000
<b>Recurrent Grant</b>				
HEFCE Teaching grant	11,115	11,115	13,570	13,570
HEFCE Research grant	22,929	22,929	19,058	19,058
<b>Specific Grants</b>				
HEFCE Capital grants	8,135	8,135	4,126	4,126
Higher Education Innovation Fund	2,895	2,895	3,501	3,501
HEFCE Other grants	683	683	630	630
Teach First	504	504	353	353
	<b>46,261</b>	<b>46,261</b>	<b>41,238</b>	<b>41,238</b>

### NOTE 4 RESEARCH INCOME

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000
Research Councils	24,664	24,664	25,123	25,123
UK Research Charities	6,765	6,765	5,538	5,538
UK Central Government, local authorities and health authorities	12,733	12,733	12,285	12,285
UK Industry and commerce	2,628	2,628	2,790	2,790
European Union government	11,824	11,824	12,998	12,998
European Union industry / other bodies	128	128	213	213
Other	2,651	2,651	3,400	3,400
	<b>61,393</b>	<b>61,393</b>	<b>62,347</b>	<b>62,347</b>
Research and Development Expenditure Credit	460	460	7,579	7,579
Total Research Income	<b>61,853</b>	<b>61,853</b>	<b>69,926</b>	<b>69,926</b>

The Research and Development Expenditure Credit is a government incentive to undertake research into science and technology. The claim relates to the period 1 April 2013 to 31 July 2015. This incentive is no longer available to universities for expenditure after 31 July 2015. The value included above for the year ended 31 July 2016 represents an additional claim, over and above the provision recognised in 2015.

## NOTES TO THE ACCOUNTS

### NOTE 5 OTHER INCOME

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Residences, catering and conferences	24,777	24,572	23,179	23,003
Service Concession Arrangement income (note 15)	13,138	13,138	13,518	13,518
Other revenue grants	761	761	1,009	1,041
Other capital grants	648	648	5,862	5,862
Other services rendered	2,827	1,682	2,656	1,541
Income from health authorities and trusts	3,113	3,113	3,445	3,445
Sports and swimming pool income	2,430	2,430	2,159	2,159
Summer Schools, Fair & Degree Day income	310	310	259	259
ERASMUS income	947	947	888	887
Rental income & room hire	636	48	551	58
Externally charged staff time	2,143	2,686	1,245	1,563
Supplies and services to external customers	779	1,957	1,182	2,287
Library and IT related income	98	98	180	180
Family Centre fees	475	475	471	471
Other income	3,538	3,461	6,605	6,629
	<b>56,620</b>	<b>56,326</b>	<b>63,209</b>	<b>62,903</b>

Included within Other income is £948k (2015: £nil) following the disposal of shares in a former spin-out company, Simpleware Ltd.

### NOTE 6 INVESTMENT INCOME

	Note	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Group	University	Group	University
		£'000	£'000	£'000	£'000
Investment income on expendable endowments	27	100	100	424	424
Investment income on permanent endowments	26	249	249	333	333
Other investment income		884	890	974	974
		<b>1,233</b>	<b>1,239</b>	<b>1,731</b>	<b>1,731</b>

### NOTE 7 ENDOWMENTS AND DONATIONS

	Note	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Group	University	Group	University
		£'000	£'000	£'000	£'000
New expendable endowments	27	1,217	1,217	1,460	1,460
Unrestricted endowments	26	25	25	-	-
Donations with restrictions		24	24	850	850
Unrestricted donations		334	1,055	164	355
		<b>1,600</b>	<b>2,321</b>	<b>2,474</b>	<b>2,665</b>

## NOTES TO THE ACCOUNTS

### NOTE 8 STAFF COSTS

Average staff numbers (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:

	<b>Year Ended 31 July 2016 Number</b>	<b>Year Ended 31 July 2015 Number</b>
Education and Research	897	867
Research	605	576
Education and Scholarships	226	226
Occasional lecturers	88	109
Professional Services	2,091	2,148
Other Casual Workers	205	99
<b>Total</b>	<b><u>4,112</u></b>	<b><u>4,025</u></b>

#### Staff costs for the above persons:

	<b>Note</b>	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Salaries		150,425	145,129
Social Security costs		11,962	10,692
Pension contributions	32	23,083	21,855
<b>Direct staff costs</b>		<b><u>185,470</u></b>	<b><u>177,676</u></b>
Movement on USS pension provision	33	(167)	17,462
Movement on ERBS pension provision	33	(1,100)	(887)
<b>Total staff costs</b>		<b><u>184,203</u></b>	<b><u>194,251</u></b>

#### Emoluments of the Vice-Chancellor and Chief Executive

	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Non-performance related remuneration	315	290
Benefit in kind	-	-
Performance related remuneration	57	58
Sub-total excluding pension contributions	372	348
Pension contributions to USS	54	52
<b>Total</b>	<b><u>426</u></b>	<b><u>400</u></b>

Emoluments for senior staff are determined by the Remuneration Committee as set out in the Corporate Governance and Internal Control Statement on page 15.

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. These have been defined as members of the Vice-Chancellors Executive Group. Remuneration of key management personnel, including any severance payments and excluding employer's pension contributions (except where this is part of a salary sacrifice scheme) was £2,777k for 16 posts for the year ended 31 July 2016 (£2,949k for 15 posts to 31 July 2015).

#### Compensation for loss of office payable to a senior post-holder

	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Compensation payable recorded within staff costs	-	118

## NOTES TO THE ACCOUNTS

### NOTE 8 STAFF COSTS (Continued)

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 Statement of Comprehensive Income is reported in the following table:

	Year Ended 31 July 2016 Number	Year Ended 31 July 2015 Number
£100,000 to £109,999	26	26
£110,000 to £119,999	23	19
£120,000 to £129,999	10	8
£130,000 to £139,999	7	5
£140,000 to £149,999	4	2
£150,000 to £159,999	5	6
£160,000 to £169,999	-	2
£170,000 to £179,999	3	3
£180,000 to £189,999	3	1
£190,000 to £199,999	2	4
£210,000 to £219,999	-	1
£220,000 to £229,999	1	-
£240,000 to £249,000	1	-
£260,000 to £269,000	1	-
£320,000 to £329,999	1	1
	<u>87</u>	<u>78</u>

This table excludes the Vice-Chancellor's remuneration, which is detailed on page 35.

### Council Members

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

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

Further information on related party transactions is included in Note 34.

Lay members do not receive payment, apart from reimbursement of expenses, for fulfilling their role as members of the governing body. Reimbursement of expenses amounted to £11,445 for 10 trustees (2015: £10,942 for 10 trustees)

### NOTE 9 RESTRUCTURING COSTS

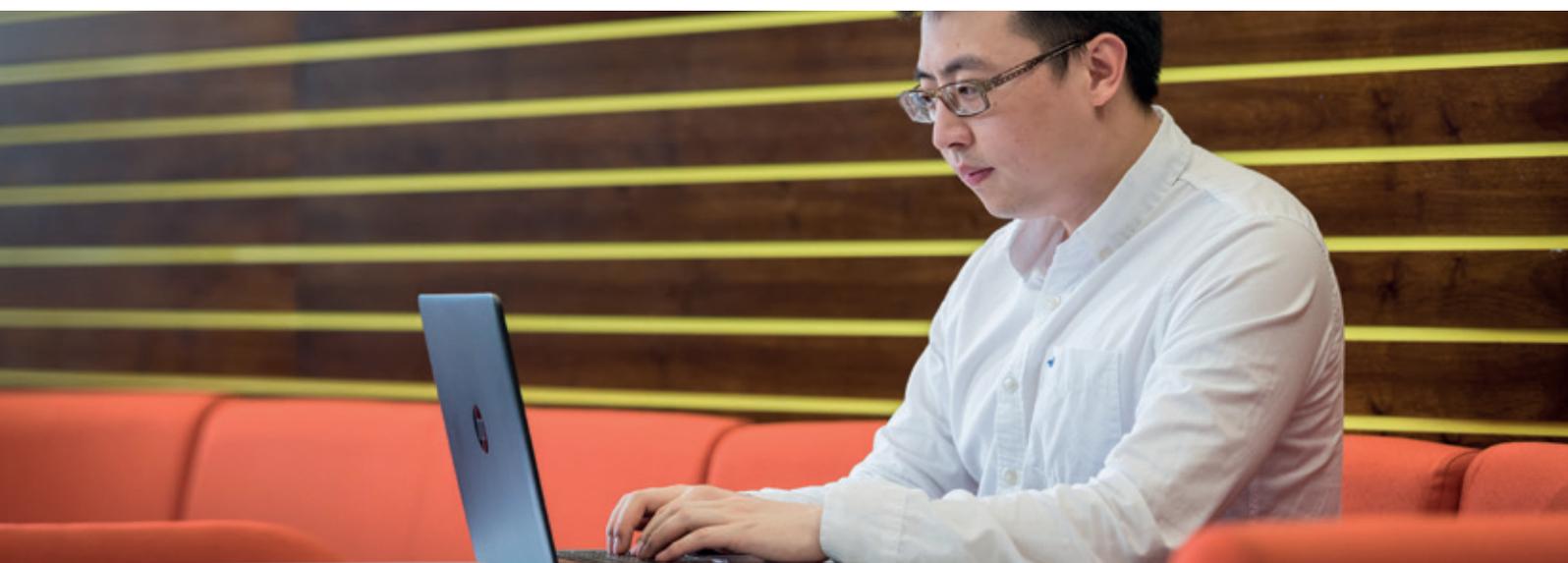
Group and University	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Restructuring Costs	<u>-</u>	<u>7,452</u>

During the year ended 31 July 2015 the University completed a voluntary severance programme. By 31 July 2015, 240 staff left the University's employment. For the period 1 August 2015 to 31 December 2015 an additional 43 staff left the University's employment. All severance costs are included in the year ended 31 July 2015.

## NOTES TO THE ACCOUNTS

### NOTE 10 OTHER OPERATING EXPENSES

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000
Residences, catering and conferences	10,042	9,995	9,845	9,756
Rents and rates	1,186	1,199	683	811
Light, heat, power and water	4,658	4,568	4,586	4,581
Repairs and general maintenance	10,830	10,646	8,664	8,660
Research	15,754	15,754	16,622	16,622
Sport	1,625	1,625	1,710	1,710
Penryn campus costs	4,785	4,785	4,421	4,421
Laboratory equipment and consumables	2,806	2,806	2,710	2,710
IT hardware, software and licences	2,404	2,393	1,865	1,855
Other equipment (including loss on disposal of equipment)	6,984	6,980	5,944	5,940
Books and periodicals	5,576	5,576	4,986	4,986
Agency, seconded staff and staff support costs	6,162	6,162	4,342	4,342
Publicity, publications and student recruitment	4,476	4,467	3,313	3,313
Travel and subsistence	9,439	9,420	8,308	8,300
Scholarships, prizes and student support	26,917	26,839	25,208	25,208
Auditors remuneration	61	57	62	56
Auditors remuneration in respect of non-audit services	68	67	34	34
Other expenses	11,176	11,162	6,859	6,711
	<b>124,949</b>	<b>124,451</b>	<b>110,162</b>	<b>110,016</b>
Included within other operating expenses are:				
Internal audit costs (within other expenses)	90	90	108	108
External audit costs (within Auditors remuneration)	61	57	62	56
Operating lease expenses	1,031	1,031	956	956



## NOTES TO THE ACCOUNTS

### NOTE 11 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

Group	Staff Costs £'000	Other Operating Expenses £'000	Depreciation/ Amortisation £'000	Interest Payable £'000	2016 Total £'000	2015 Total £'000
Academic colleges	98,818	21,410	1,529	-	121,757	119,282
Academic services	12,678	15,112	3,918	-	31,708	31,277
Administration and central services	30,347	42,930	225	-	73,502	59,170
Premises (including service concession cost)	9,283	20,024	17,933	8,730	55,970	52,323
Residences, catering and conferences	7,013	9,719	13,158	-	29,890	26,106
Research grants and contracts	27,392	15,754	1,106	-	44,252	45,420
Pension adjustment	(1,261)	-	-	2,361	1,110	24,875
	<b>184,270</b>	<b>124,949</b>	<b>37,869</b>	<b>11,091</b>	<b>358,179</b>	<b>358,453</b>

### NOTE 12 INTEREST AND OTHER FINANCE COSTS

Group and University	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Loan interest	8,730	8,648
Net charge on pension schemes	2,361	1,735
	<b>11,091</b>	<b>10,383</b>

### NOTE 13 TAXATION

Group and University	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Taxation deducted from Research and Development Expenditure Credit (RDEC)	14	1,743

The RDEC scheme came to an end for universities on 31 July 2015. The value included above for the year ended 31 July 2016 represents an additional claim, over and above the provision recognised in 2015.

## NOTES TO THE ACCOUNTS

### NOTE 14 INTANGIBLE ASSETS

Group and University	Software £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
As at 1 August 2015	7,385	-	7,385
Additions	169	1,497	1,666
Disposals	-	-	-
Transfers	-	-	-
<b>As at 31 July 2016</b>	<b>7,554</b>	<b>1,497</b>	<b>9,051</b>
<b>Depreciation</b>			
As at 1 August 2015	4,535	-	4,535
Charge for the year	757	-	757
Written back on revaluation	-	-	-
Disposals	-	-	-
<b>As at 31 July 2016</b>	<b>5,292</b>	<b>-</b>	<b>5,292</b>
<b>Net Book Value</b>			
<b>At 31 July 2016</b>	<b>2,262</b>	<b>1,497</b>	<b>3,759</b>
At 31 July 2015	<b>2,850</b>	<b>-</b>	<b>2,850</b>

### NOTE 15 TANGIBLE FIXED ASSETS

Group	Land and buildings Freehold	Land and buildings Long Leasehold	Service concession arrangement (Note 17)	Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Deemed Cost</b>						
At 1 August 2015	547,684	87,979	13,138	63,490	35,822	748,113
Additions	220	-	13,115	1,718	30,492	45,545
Transfers	7,234	1,369	-	2,058	(10,661)	-
Disposals	(96)	-	(13,138)	(40)	-	(13,274)
<b>At 31 July 2016</b>	<b>555,042</b>	<b>89,348</b>	<b>13,115</b>	<b>67,226</b>	<b>55,653</b>	<b>780,384</b>
<b>Depreciation</b>						
At 1 August 2015	20,862	1,958	-	40,674	-	63,494
Charge for the year	14,914	2,736	13,138	6,324	-	37,112
Disposals	-	-	(13,138)	(18)	-	(13,156)
<b>At 31 July 2016</b>	<b>35,776</b>	<b>4,694</b>	<b>-</b>	<b>46,980</b>	<b>-</b>	<b>87,450</b>
<b>Net book value</b>						
<b>At 31 July 2016</b>	<b>519,266</b>	<b>84,654</b>	<b>13,115</b>	<b>20,246</b>	<b>55,653</b>	<b>692,934</b>
At 31 July 2015	<b>526,822</b>	<b>86,021</b>	<b>13,138</b>	<b>22,816</b>	<b>35,822</b>	<b>684,619</b>

## NOTES TO THE ACCOUNTS

### NOTE 15 TANGIBLE FIXED ASSETS (Continued)

University	Land and buildings		Service concession arrangement (Note 17)	Equipment	Assets under construction	Total
	Freehold	Long Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Deemed Cost</b>						
At 1 August 2015	545,447	87,979	13,138	63,228	35,822	745,614
Additions	220	-	13,115	1,718	30,492	45,545
Transfers	7,234	1,369	-	2,058	(10,661)	-
Disposals	(95)	-	(13,138)	(40)	-	(13,273)
<b>At 31 July 2016</b>	<b>552,806</b>	<b>89,348</b>	<b>13,115</b>	<b>66,964</b>	<b>55,653</b>	<b>777,886</b>
<b>Depreciation</b>						
At 1 August 2015	20,862	1,958	-	40,412	-	63,232
Charge for the year	14,914	2,736	13,138	6,324	-	37,112
Disposals	-	-	(13,138)	(18)	-	(13,156)
<b>At 31 July 2016</b>	<b>35,776</b>	<b>4,694</b>	<b>-</b>	<b>46,718</b>	<b>-</b>	<b>87,188</b>
<b>Net book value</b>						
<b>At 31 July 2016</b>	<b>517,030</b>	<b>84,654</b>	<b>13,115</b>	<b>20,246</b>	<b>55,653</b>	<b>690,698</b>
At 31 July 2015	<b>524,585</b>	<b>86,021</b>	<b>13,138</b>	<b>22,816</b>	<b>35,822</b>	<b>682,382</b>

- a) At 31 July 2016, freehold land and buildings included £83.8m (2015 restated: £83.8m) in respect of freehold land which is not depreciated.
- b) Included in the cost or valuation of freehold land and buildings is £1.1m (2015: £1.1m) bank loan interest payable that has been capitalised. This has been calculated at the loan interest rate of 5.88%. These finance costs are directly attributable to the construction of student residences and were capitalised as part of the cost of those assets whilst they were in the course of construction. There has been no capitalisation of interest payable in the current or prior years.
- c) Tangible fixed assets are valued at deemed cost following a valuation performed by the external Chartered Surveyors, Jones Lang LaSalle, as at 31 July 2014 on the basis of existing use or depreciated replacement cost according to the nature and use of each building. This valuation was prepared in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors.
- d) Long leasehold land and buildings comprise the University owned buildings on the Penryn Campus, which were acquired under a 125 lease (113 years remaining) and the Research, Innovation, Learning and Development (RILD) buildings on the Royal Devon and Exeter Hospital (Wonford) site in Exeter, which was completed in 2013/14. The RILD buildings are held under a finance lease arrangement which has been fully paid in advance.

## NOTES TO THE ACCOUNTS

### NOTE 15 TANGIBLE FIXED ASSETS (Continued)

A finance lease liability and the equivalent prepayment have been included on the balance sheet on the following basis:

	Note	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Debtors: Amounts falling due within one year	20	133	133
Debtors: Amounts falling due after more than one year	20	16,192	16,325
Creditors: Amounts falling due within one year	22	(134)	(134)
Creditors: Amounts falling due after more than one year	23	(16,192)	(16,325)

Of the amounts falling due after more than one year, £133k is due within one year, £399k is due within two to five years, and £15,660k is due after more than five years.

### NOTE 16 HERITAGE ASSETS

Group and University	Special Collections £'000	Fine Art Collection £'000	Total £'000
<b>Cost</b>			
As at 1 August 2105	4,397	2,774	7,171
Additions	40	108	148
Disposals	-	-	-
Revaluation	(143)	68	(75)
<b>As at 31 July 2016</b>	<b>4,294</b>	<b>2,950</b>	<b>7,244</b>

#### History of heritage assets

Year-ended 31 July	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Acquisition of heritage assets	108	-	-	-	-
Donated heritage assets	40	-	-	-	-
Increase in value of collections	75	-	2,586	-	-

**NOTE 16 HERITAGE ASSETS (Continued)**

**Library special collection**

The library special collection consists of over 400 collections of archives and manuscripts and 25 print collections. The John Betjeman Library of over 4,000 printed books and pamphlets is one of the larger individual collections relating to a particular author. It was purchased in 1997 with the help of Heritage Lottery Fund and a grant from the Esmee Fairburn Charitable Collection, as well as donations from private individuals and the University.

**Fine art and furniture collection**

The University has a collection ranging from paintings, drawings and sculpture to silverware, ceramics and pianos. The University has a collection of sculpture across Streatham Campus by distinguished artists such as Barbara Hepworth, Paul Mount and Geoffrey Clark.

Both the library and fine art collection were professionally valued during the year ended 31 July 2016 by external Fine Art Auctioneers and Valuers, Messrs. Beames Hampton and Littlewood, on an open market value basis.

**Bill Douglas Cinema Museum**

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

**NOTE 17 SERVICE CONCESSION ARRANGEMENTS**

The University has one service concession arrangement with University Partnerships Programme Limited (UPP) for the provision of student residential accommodation services. In September 2009 the University entered into a 42 year contract with UPP for the provision of residential accommodation services, providing accommodation for 2,569 students. The assets and liabilities relating to this contract are recognised on the University's Balance Sheet to the extent that the University is required to fulfil nomination commitments at each 31 July. At the end of the contract term the buildings will revert back to the University. The University has the right to nominate rooms each January for the following academic year. This commits the University to pay for these rooms in the following year only. It is anticipated that student rents received will, fully fund this obligation.

**Service Concession Arrangement assets**

The asset value of the service concession in the Balance Sheet as at 31 July 2016 is £13.1m (31 July 2015: £13.1m).

**Service Concession Arrangement liabilities**

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2016 were £13.1m (31 July 2015 £13.1m), representing the present value of lease obligations for the following academic year.

**Future Commitments**

The following table analyses the University's future commitments in relation to service concession arrangements:

	<b>Payable within 1 year</b>
	<b>£'000</b>
Liability repayments	13,115
Finance charge	-
Service charge	23
	<u><b>13,138</b></u>

**NOTE 18 NON-CURRENT INVESTMENTS**

	<b>Endowment Funds £'000</b>	<b>Investment Property £'000</b>	<b>Subsidiary companies £'000</b>	<b>Other investments £'000</b>	<b>Total 2016 £'000</b>	<b>Total 2015 £'000</b>
<b>Group</b>						
<b>At 1 August</b>	31,456	10,389	-	50	41,895	40,149
Investment income	349	-	-	-	349	757
Fees	(142)	-	-	-	(142)	(886)
Gain / (Impairment)	(63)	-	-	-	(63)	1,875
	144	-	-	-	144	1,746
<b>At 31 July</b>	<b>31,600</b>	<b>10,389</b>	<b>-</b>	<b>50</b>	<b>42,039</b>	<b>41,895</b>
<b>University</b>						
<b>At 1 August</b>	31,456	12,626	210	42	44,334	42,588
Investment income	349	-	-	-	349	757
Fees	(142)	-	-	-	(142)	(886)
Gain / (Impairment)	(63)	-	-	-	(63)	1,875
	144	-	-	-	144	1,746
<b>At 31 July</b>	<b>31,600</b>	<b>12,626</b>	<b>210</b>	<b>42</b>	<b>44,478</b>	<b>44,334</b>

**Endowment Funds**

The University holds an investment portfolio to invest part of its endowment funds, which are managed in line with the University Investment Policy. The investment objective of endowment funds is to achieve an absolute rate of return deemed achievable in the market place and sufficient to fulfil the charitable objectives of the donation, taking into account risk and any requirements to preserve capital. For more details on the endowment funds see notes 26 and 27.

**Investment Property**

The University holds investment property where buildings are held for their external rental income. Where rental is obtained from subsidiary companies, these assets are not included as investment property at a consolidated level and are instead included within tangible fixed assets, as per note 15.

**NOTE 18 NON-CURRENT INVESTMENTS (Continued)**

**Subsidiary companies**

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

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

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

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. From 2015/16 the University is the sole corporate trustee of the Exeter University Foundation. The Foundation supports the collections of The Bill Douglas Cinema Museum. It does not actively solicit donations, but will accept donations from those who prefer to donate to the Foundation rather than the University. The Foundation shares a year-end of 31 July with the University.

**Other investments**

Other investments of the University comprise the following:

Name	Holding
Attomarker Limited	1,210 Ordinary £1 shares
Auxetix Limited	107,143 Ordinary £0.0001 shares held in 2014/15. Dissolved in 2015/16
Biosystems Technology Limited	270 Ordinary £0.50 shares
ChocEdge Limited	10 Ordinary £1 shares
Cotton Mouton Diagnostics Limited	1,328 Ordinary £0.01 shares
CVCP Properties Plc	37,355 Ordinary £1 shares
Disigi Limited	12 Ordinary £1 shares
Exeter Nanobacteria Limited	400 Ordinary £0.10 shares
Exeter Science Park Limited	67,536 Ordinary £10 shares
Full Scale Dynamics Limited	1,600 Ordinary £1 shares
Industrial Tomography Systems Plc	249,564 Ordinary £0.01 shares
Isca Diagnostics Limited	2,500 Ordinary shares
Myco Sciences Limited	125 Ordinary £1 shares
SEAMS (Global) Limited	161 Ordinary £1 shares and 405 fully paid Deferred £1 shares
Simpleware Ltd	100 Ordinary B £0.10 shares held in 2014/15. Sold during 2015/16
Trireme Systems Limited	284 Series B £1 Preferred shares

Shares in Exeter Science Park Ltd are held at nil value, reflecting the uncertainty and remoteness of a return on investment. The development of the Science Park is being funded in part from the Heart of the South West Local Enterprise Partnership loan facility, for further details on the loan see note 31.

**NOTE 19 INVESTMENT IN JOINT VENTURES**

**Falmouth Exeter Plus Ltd Group (FX+ Ltd)**

FX+ Ltd is a joint venture company with two members - the University and Falmouth University. It is a company limited by guarantee without share capital. FX+ Ltd has been established to provide student accommodation, student support and commercial services for the Penryn campus, occupied by the University and Falmouth University and has the status of an exempt charity.

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

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

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

**INTO University of Exeter LLP**

INTO University of Exeter LLP is a limited liability partnership between Exeter ISC Limited, a wholly owned subsidiary of the University, and INTO Exeter Limited, a wholly owned subsidiary of INTO University Partnerships Limited. Its principal place of business is INTO Building, Stocker Road, Exeter, EX4 4PY. 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.

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

**Jointly controlled entities**

Both FX+ Ltd and INTO University of Exeter LLP arrangements are joint ventures and are accounted for using the gross equity method, such that 50% of each company's net equity (gross assets less gross liabilities) is included in the consolidated balance sheet of the University and 50% of their net income is reported in the University's consolidated income and expenditure account.

Both INTO University of Exeter LLP and Exeter ISC Limited have entered into a gift aid arrangement to distribute surpluses arising on their activities to the University and joint venture partners accordingly.

		<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Share of operating surplus	FX+	265	438
	INTO	1,385	684
		<b>1,650</b>	<b>1,122</b>
Share of gross assets	FX+	45,465	45,630
	INTO	8,152	6,877
		<b>53,617</b>	<b>52,507</b>
Share of gross liabilities	FX+	(33,837)	(32,805)
	INTO	(6,730)	(6,118)
		<b>(40,567)</b>	<b>(38,923)</b>
Share of net assets	FX+	11,628	12,825
	INTO	1,422	759
		<b>13,050</b>	<b>13,584</b>

## NOTES TO THE ACCOUNTS

### NOTE 20 TRADE AND OTHER RECEIVABLES

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000
<b>Amounts falling due within one year</b>				
Accrued research grant income	10,366	10,366	16,448	16,448
Prepayments and other accrued income	4,747	4,411	3,406	3,389
Other receivables	12,013	12,371	12,632	12,714
Amounts due from subsidiary companies	4	346	-	19
Amounts due from group undertakings	20	20	60	60
	<b>27,150</b>	<b>27,514</b>	<b>32,546</b>	<b>32,630</b>
<b>Amounts falling due after one year</b>				
Finance lease prepayment	<b>16,192</b>	<b>16,192</b>	<b>16,325</b>	<b>16,325</b>

### NOTE 21 CURRENT ASSET INVESTMENTS

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000
Short term deposits	15,530	15,530	13,217	13,217
Other short term investments	54,288	54,288	38,388	38,388
	<b>69,818</b>	<b>69,818</b>	<b>51,605</b>	<b>51,605</b>

Deposits are held with banks and building societies operating in the London market and authorised by the Prudential Regulation Authority with greater than three months but less than twelve months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 1.00% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 94 days. The fair value of these deposits was not materially different from the book value.

### NOTE 22 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000
Secured loans	6,448	6,448	3,823	3,823
Other payables	16,088	16,090	19,535	19,557
Obligations under finance leases	134	134	134	134
Trade payables	13,989	13,975	11,152	11,072
Service Concession Arrangement	13,115	13,115	13,139	13,139
Social security and other taxation payable	4,331	4,331	4,115	4,115
Accruals and deferred income	15,111	14,955	5,790	5,687
Research grants received on account	32,032	32,032	31,808	31,808
	<b>101,248</b>	<b>101,080</b>	<b>89,496</b>	<b>89,335</b>

## NOTES TO THE ACCOUNTS

### NOTE 23 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000
Bank loans	188,817	188,817	195,265	195,265
Obligations under finance lease	16,192	16,192	16,325	16,325
Obligations under financial instrument contracts	59,380	59,380	39,510	39,510
Other creditors	4,067	4,009	3,992	3,992
	<b>268,456</b>	<b>268,398</b>	<b>255,092</b>	<b>255,092</b>

### Analysis of bank loans Group and University

	Year Ended 31 July 2016	Year Ended 31 July 2015
	£'000	£'000
Due within one year (Note 22)	6,448	3,823
Due within one and two years	7,553	6,448
Due within two and five years	24,729	24,039
Due in five or more years	156,535	164,778
<b>Total secured and unsecured loans</b>	<b>195,265</b>	<b>199,088</b>



## NOTES TO THE ACCOUNTS

### NOTE 23 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

Included within the total balance above is the following:

	Facility £'000	Interest Rate %	Repayment	Term	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
<b>National Westminster Bank Plc</b>	100,000			To 2043		
Tranches 1 and 2		5.54	Quarterly	35 years	28,337	29,396
Tranche 3		5.40	Quarterly	35 years	18,036	18,711
Tranches 4 and 5		3.45	Quarterly	30 years	28,533	29,600
<b>Barclays Bank Plc</b>	65,000			To 2043		
Tranches 1 and 2		5.53	Quarterly	35 years	18,204	18,883
Tranche 3		5.41	Quarterly	35 years	9,155	9,498
Tranche 4		4.39	Quarterly	34 years	10,000	10,000
Tranche 5		4.65	Quarterly	32 years	10,000	10,000
Tranche 6		3.09	Quarterly	30 years	3,000	3,000
<b>European Investment Bank</b>	70,000			To 2026		
		3.69	Quarterly	23 years	70,000	70,000
					<b>195,265</b>	<b>199,088</b>

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

At 31 July 2016, the University had £25m (2015: £25m) undrawn of its £235m available loan facilities.

Interest rates shown in the bank loan table are 'all in' interest rates and include swap rates, bank margins and bank costs. Each swap transaction matches the underlying loan in amount, term and amortisation profile. The University has entered into interest rate swaps in order to fix the interest rate paid on its borrowings over their lifetime. The fair value of these contracts and more information on the interest rate swaps is included in note 25.

### NOTE 24 ANALYSIS OF CHANGES IN NET DEBT

Group	At 1 August 2015 £'000	Cash flow in year £'000	Change in creditor £'000	At 31 July 2016 £'000
Cash and cash equivalents	50,688	(814)	-	49,874
Current asset investments	51,605	18,213	-	69,818
	102,293	17,399	-	119,692
Bank loan and borrowings				
Due within 1 year	(3,823)	-	(2,625)	(6,448)
Due after 1 year	(195,265)	3,823	2,625	(188,817)
Other borrowings	(728)	74	-	(654)
	(199,816)	3,897	-	(195,919)
	<b>(97,523)</b>	<b>21,296</b>	<b>-</b>	<b>(76,227)</b>



## NOTE 25 FINANCIAL INSTRUMENTS

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

### Nature and Extent of Risks Arising from Financial Instruments

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

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

### Credit and Counterparty Risk

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

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

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

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

- Credit default swaps and spreads;
- Likelihood and strength of parental support;
- Government guarantees and support;
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.

### Liquidity/Refinancing Risk

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

Limits on the proportion of fixed rate borrowing due to mature during specified periods are set. A revolving credit facility of £25m is retained which can be drawn to mitigate the effects of any unexpected cash movements.

### Market Risk

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

### Interest Rate Risk

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

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

**NOTE 25 FINANCIAL INSTRUMENTS (Continued)**

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

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

The University 'hedges' its interest rate risk using swaps which provide stability against interest rate fluctuations. The total balance below comprises hedging of the National Westminster Bank Plc and Barclays Bank loan facilities through an interest rate swap.

<b>University</b>	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Fair value of swap at 1 August	(39,510)	(26,686)
Change in fair value	(19,870)	(12,824)
Fair value of swap at 31 July	<u>(59,380)</u>	<u>(39,510)</u>

The total balance above comprises hedging of the National Westminster Bank Plc and Barclays Bank Plc loan facilities through an interest rate swap.

The increase in creditor in year for the consolidated position is £19,875k (2015: £12,771k). As a joint venture, the full liability under the hedging for FX+ Ltd is held within Investment in Joint Ventures, as per note 19.

**Foreign Exchange Risk**

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



## NOTES TO THE ACCOUNTS

### NOTE 26 PERMANENT ENDOWMENT RESERVES

Group and University	Restricted permanent endowment £'000	Unrestricted permanent endowment £'000	2016 Total £'000	2015 Total £'000
<b>Balances at 1 August:</b>				
Original gift	8,700	364	9,064	9,064
Unapplied total return	13,863	131	13,994	12,162
	<b>22,563</b>	<b>495</b>	<b>23,058</b>	<b>21,226</b>
New endowments	-	26	26	-
Investment income	244	5	249	333
Expenditure	(498)	-	(498)	(14)
(Decrease) / Increase in market value of investments	(138)	(3)	(141)	1,513
<b>Total permanent endowment comprehensive income for the year</b>	(392)	28	<b>(364)</b>	1,832
<b>Balances at 31 July</b>	<b>22,171</b>	<b>523</b>	<b>22,694</b>	<b>23,058</b>
<b>Represented by</b>				
Original Gift	8,700	390	9,090	9,064
Unapplied total return	13,471	133	13,604	13,994
	<b>22,171</b>	<b>523</b>	<b>22,694</b>	<b>23,058</b>
<b>Analysis by asset</b>			<b>£'000</b>	<b>£'000</b>
Investment Portfolio				
Cash and cash equivalents			4,598	3,935
Non-current asset investments			18,065	18,730
Cash and cash equivalents			31	393
			<b>22,694</b>	<b>23,058</b>
<b>Analysis by type of purpose</b>				
Institute for Arab and Islamic Studies			17,845	18,240
Entrance Scholarships			682	684
Special Collections			661	658
Devon Research Scholarships			541	539
Exeter Forever Fund			523	495
Other permanent funds			2,442	2,442
			<b>22,694</b>	<b>23,058</b>

#### Fund Descriptions

- The Institute for Arab and Islamic Studies (IAIS) Fund provides financial support for academic chairs within the Institute.
- The University holds funds for Entrance Scholarships for new entrants residing in Cornwall or Devon who also meet the specific requirements of the individual awards.
- The Special Collections fund is held to fund future additions to the Heritage Asset investments.
- The Exeter Forever Fund is a permanent unrestricted endowment. All legacies donated to the University (except those with specific restrictions) are allocated to the Exeter Forever Fund.
- The University hold funds for research scholarships for specific awards for residents of Devon and Cornwall.
- The remaining permanent funds comprises 78 separate funds that are used for scholarships, prizes and general educational support.

## NOTES TO THE ACCOUNTS

### NOTE 27 EXPENDABLE ENDOWMENT RESERVES

<b>Group and University</b>	<b>2016 Total £'000</b>	<b>2015 Total £'000</b>
<b>Balances at 1 August:</b>		
Original gift	9,427	8,759
Accumulated income	712	280
	<b>10,139</b>	<b>9,039</b>
New endowments	1,217	1,460
Investment income	100	424
Expenditure	(1,567)	(1,055)
(Decrease) / Increase in market value of investments	(50)	271
	<b>(300)</b>	1,100
<b>Total expendable endowment comprehensive income for the year</b>	<b>9,839</b>	<b>10,139</b>
<b>Balances at 31 July</b>	<b>9,839</b>	<b>10,139</b>
<b>Represented by</b>		
Original Gift	9,124	9,427
Accumulated income	715	712
	<b>9,839</b>	<b>10,139</b>
<b>Analysis by asset</b>		
	<b>£'000</b>	<b>£'000</b>
Investment Portfolio		
Cash and cash equivalents	2,167	2,072
Non-current asset investments	6,661	6,719
Cash and cash equivalents	1,011	1,348
	<b>9,839</b>	<b>10,139</b>
<b>Analysis by type of purpose</b>		
HRH Prince Al-Waleed Al Saud Awards	1,577	1,620
Gillings Foundation	1,146	1,146
Carlotta Palmer Legacy	1,037	1,037
Vandervell	812	812
Annual Fund	478	435
Other expendable endowments	4,789	5,089
	<b>9,839</b>	<b>10,139</b>

#### Fund Descriptions

- The HRH Prince Al-Waleed Al Saud scholarships are for IAIS students who are citizens of countries outside the Arab world. The scholarships are intended to support IAIS students in their University of Exeter assessments, by contributing to the cost of visiting Arab countries to undertake a recognised Arabic language course, or undertake research for a dissertation.
- The Gillings Foundation donated £1 million towards the Medical School's pioneering work in genetic disorders.
- Carlotta Palmer was a Devon resident who left £881k to the University to make a difference to society through supporting able graduates to higher attainment in postgraduate studies and research in maths and the sciences over the years to come.
- The Vandervell fund holds non-restricted grants awarded from the Vandervell Foundation, primarily for medical research.
- The Annual Fund is the University's annual appeal which seeks the philanthropic support of its alumni and friends to invest in the University and its students. Individual awards are up to £5,000 each. Projects must demonstrate that they will enhance the student experience across the wider student community, benefitting current and future generations of students.
- The remaining expendable funds comprises 287 separate funds which were donated for a specified purpose, with no restriction to retain as capital, all of which are restricted. The University does not hold expendable unrestricted endowments.

## NOTES TO THE ACCOUNTS

### NOTE 28 UNRESTRICTED RESERVE

Income and expenditure reserve	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000
Balances at 1 August	<b>429,338</b>	<b>430,653</b>	<b>450,777</b>	<b>452,442</b>
Surplus / (deficit) from the income and expenditure statement	15,249	14,597	21	(971)
Other comprehensive income	(23,614)	(22,152)	(21,719)	(20,818)
Transfers between revaluation and income and expenditure reserve	260	-	259	-
<b>Total comprehensive income for the year</b>	<b>(8,105)</b>	<b>(7,555)</b>	<b>(21,439)</b>	<b>(21,789)</b>
<b>Balances at 31 July</b>	<b>421,233</b>	<b>423,098</b>	<b>429,338</b>	<b>430,653</b>

### NOTE 29 REVALUATION RESERVE

Revaluation reserve Group	Freehold land and buildings £'000	Fixed asset investment £'000	2016 Total £'000	2015 Total £'000
Balances at 1 August	14,858	7,232	<b>22,090</b>	<b>22,343</b>
Revaluation in year	-	(75)	(75)	6
Transfers from revaluation to general reserve				
Release on disposal	-	-	-	-
Depreciation on re-valued assets	(260)	-	<b>(260)</b>	(259)
<b>Total reserve movement for the year</b>	(260)	(75)	<b>(335)</b>	<b>(253)</b>
<b>Balances at 31 July</b>	<b>14,598</b>	<b>7,157</b>	<b>21,755</b>	<b>22,090</b>

Revaluation reserve University	Freehold land and buildings £'000	Fixed asset investment £'000	2016 Total £'000	2015 Total £'000
Balances at 1 August	-	7,232	<b>7,232</b>	<b>7,226</b>
Revaluation in year	-	(75)	(75)	6
Transfers from revaluation to general reserve				
Release on disposal	-	-	-	-
Depreciation on re-valued assets	-	-	-	-
<b>Total reserve movement for the year</b>	-	(75)	<b>(75)</b>	<b>6</b>
<b>Balances at 31 July</b>	-	<b>7,157</b>	<b>7,157</b>	<b>7,232</b>

Revaluation reserves relate to the revaluation of land and buildings held by FX+ Ltd and of heritage assets held by the University. While FX+ Ltd have adopted the deemed-cost option under transitional arrangements to the new SORP, as it is constituted as a limited company it is required to retain its revaluation reserve under company law.

## NOTES TO THE ACCOUNTS

### NOTE 30 CAPITAL COMMITMENTS

<b>Consolidated and University</b>	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Commitments contracted at 31 July	5,915	27,805
Authorised but not contracted at 31 July	23,485	19,599
<b>Total</b>	<b>29,400</b>	<b>47,404</b>

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

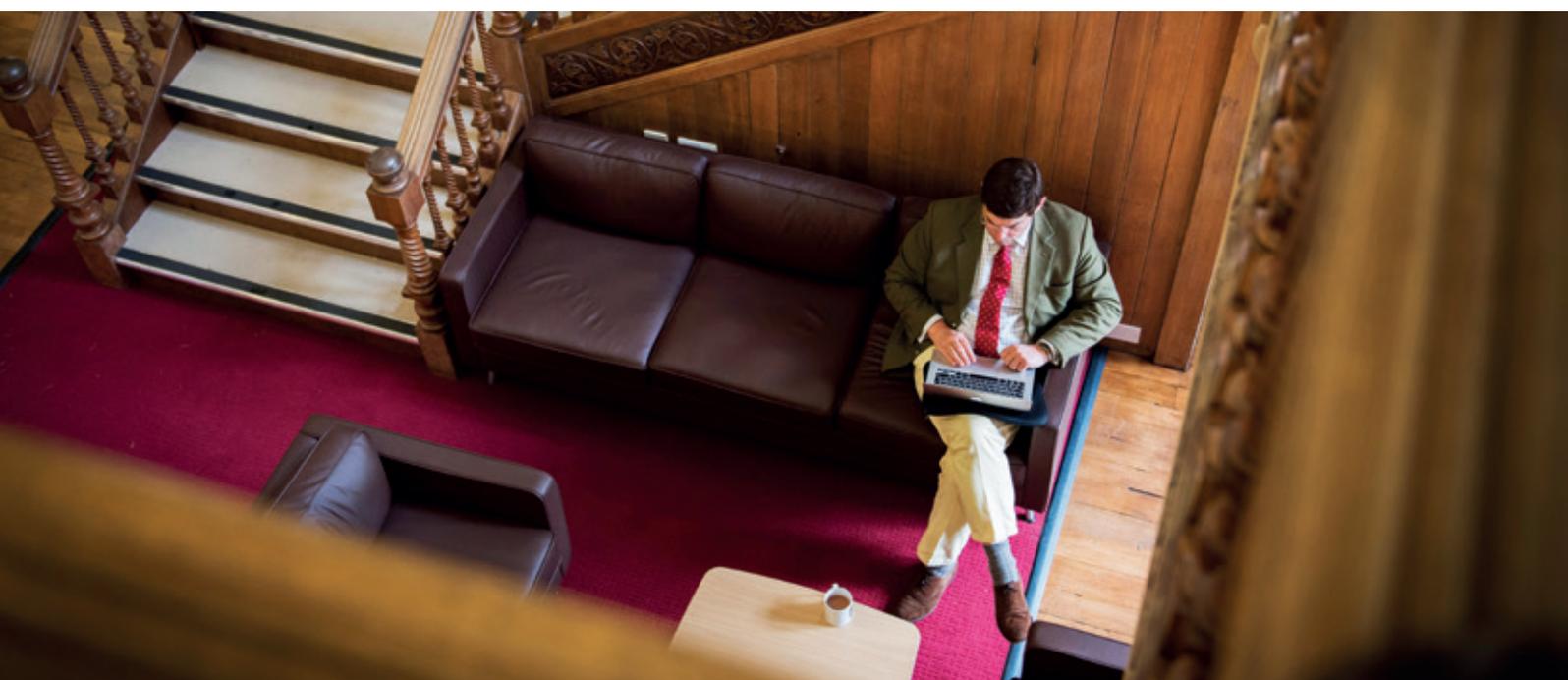
### NOTE 31 FINANCIAL COMMITMENTS

<b>Operating Leases</b>	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Expiring within one year	639	91
Expiring between two and five years	899	1,608
<b>Total</b>	<b>1,538</b>	<b>1,699</b>

<b>Guarantees</b>	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Exeter Science Park	1,800	-

The Heart of the South West Local Enterprise Partnership (LEP) has provided a loan facility to Exeter Science Park for their development. The University, jointly with Devon County Council, has provided a loan guarantee facility for up to 50% of the debt outstanding on the loan expiration date. This potential liability is estimated at £1,800k payable on 31 October 2023. The £1,800k provided for is based on the likelihood of interim loan repayments by Exeter Science Park Ltd to the Heart of the South West LEP, according to their Business Plans, discounted to present value.

The University also acts as guarantor, jointly with Falmouth University, on the FX+ Ltd bank loans. No commitment has been included for this guarantee within these financial statements as the likelihood of FX+ Ltd not meeting its obligations under its loan facilities is considered remote.



**NOTE 32 PENSION SCHEMES**

Different categories of staff were eligible to join one of four different schemes:

- Universities' Superannuation Scheme (USS)
- University of Exeter Retirement Benefits Scheme (ERBS)
- National Employer Savings Trust Pension Scheme (NEST)
- National Health Service Pension Scheme (NHSPS)

The two main schemes, being USS and ERBS, are both defined-benefit schemes the assets of which are held in separate trustee administered funds. Costs for the schemes, included within the staff costs (note 8) were:

<b>Pension Contributions</b>	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
USS	18,281	16,991
ERBS	4,392	4,465
Other pension schemes	418	399
<b>Total</b>	<b>23,091</b>	<b>21,855</b>

**(i) Universities Superannuation Scheme**

The Universities Superannuation Scheme (USS) is a multi-employer defined benefit scheme, the assets of which are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

In accordance with FRS 102, this is accounted for as a defined contribution scheme as it is not possible for the University to separately identify its share of the underlying assets and liabilities on a consistent and reasonable basis.

**Scheme Assets, Liabilities and Funding Level**

The total pension cost for the University in the year to 31 July 2016 was £18.3m (2015: £17.0m). This includes £1.7m (2015: £1.4m) of outstanding contributions at the balance sheet date. The contribution rate payable was 16% of pensionable salaries up to March 2016 and 18% of pensionable salaries from April 2016. At 31 July 2016 the University had 2,734 active members participating in the scheme (2015: 2,758).

The latest triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. This was the third valuation under the scheme-specific funding regime introduced by the Pensions Act 2004, which required schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

At the valuation date, the value of the assets of the scheme was £41.6bn and the value of the scheme's technical provisions was £46.9bn, indicating a shortfall of £5.3bn. The assets were therefore sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The key assumptions used by USS to calculate the funding level and liability as at 31 March are as follows:

	<b>2016</b>	<b>2015</b>
Discount rate	<b>3.6%</b>	3.3%
Pensionable salary growth		
First year	<b>n/a</b>	3.5%
Subsequent years	<b>n/a</b>	4.0%
Price inflation (CPI)	<b>2.2%</b>	2.2%

**NOTE 32 PENSION SCHEMES (Continued)**

Standard mortality tables were used, in line with the Continuous Mortality Investigations (SMI) SINA tables as follows:

Male members' mortality	98% of SINA (light) YoB tables – no age rating
Female members' mortality	99% of SINA (light) YoB tables – rates down one year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates, the CMI 2014 projections with a 1.5% pa long term rate were also adopted.

The current life expectations on retirement at age 65 are:

	2016	2015
Males currently aged 65 years	24.3	24.2
Females currently aged 65 years	26.5	26.3
Males currently aged 45 years	26.4	26.2
Females currently aged 45 years	28.8	28.6

**Existing benefits**

	2016	2015
Scheme assets	£49.8bn	£49.1bn
FRS 102 liabilities	£58.3bn	£60.2bn
FRS 102 deficit	£8.5bn	£11.1bn
FRS 102 funding level	85%	82%

**Key Sources of Estimation Uncertainty**

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Determining the liability for future contributions requires an estimation of the present value of future cash flows which depends on the percentage of contributions which will be attributed to deficit elimination along with future salary inflation and the identification of a suitable discount rate. In determining the appropriate liability, the directors of Universities Superannuation Scheme Limited have considered the assumptions used in the funding plan and latest actuarial valuation assumptions.

The vote to leave the European Union has significant implications for the UK economic outlook. The eventual trading arrangements with its economic partners will depend on the outcome of negotiations with many countries. It will be some time before those arrangements, and their impact on the UK economy, become clear. There are significant uncertainties around the nature of those trading arrangements and in line with the Inflation Report issued by the Bank of England in August 2016, our pension calculation assumptions have not assumed they will take any particular form over the long run. It is likely that the valuation of liabilities, and therefore the scheme deficit, will be higher as at 31 July 2016 than those set out in the table above.

**Recovery Plan**

Following the 2014 actuarial valuation which valued the scheme deficit at £5.3bn, employers contributing to the USS scheme agreed a deficit recovery plan, aiming to eliminate the deficit over 17 years by 31 March 2031. In order to achieve this, the USS recovery plan estimates that the amounts required to eliminate the deficit are: 0.7% of pensionable salaries to 31 March 2016, 2.5% from 1 April 2016 to 30 September 2016 and 2.1% from 1 October 2016 to 31 March 2031.

The element of the contributions intended to fund the scheme deficit are recognised as a provision in the financial statements based on the deficit contributions set out above and taking into account expected changes to staffing levels and staffing costs, discounted to present value. Movements in this provision are recorded in the income and expenditure account.

**NOTE 32 PENSION SCHEMES (Continued)**

The value of this provision for the University's USS deficit liability as at 31 July 2016 was £38.7m (2015: £37.7m). The assumptions used for the calculation of the recovery plan are as follows.

	<b>2016</b>	<b>2015</b>
Discount Rate	1.78%	3.05%
Salary Inflation	2.4% - 2.6%	2.4% - 3.2%
Staff Changes	0% - 2.8%	0% - 3.4%

**(ii) University of Exeter Retirement Benefit Scheme (ERBS)**

The University operates a final salary defined benefit pension scheme that non-academic employees of the University can participate in, called the University of Exeter Retirement Benefit Scheme. The Scheme is externally funded and is contracted out of the S2P of pension provision. Consideration is currently being given to the possible closure of the Scheme to future accrual. However, as no decision has yet been made, no allowance for any possible effect on the year-end liability figures has been made. The Exeter Retirement Benefits Scheme will close from the 30 November 2016. Final agreement to close this final salary scheme was made in October 2016. A replacement scheme will be effective from 1 December 2016, full details of the scheme were not available until October 2016, due to this and the timing of this decision, no allowance has been made for any possible effect on the year-end liability figures.

The last formal triennial actuarial valuation of the scheme was performed as at 5 April 2012 by a professionally qualified actuary. This valuation continued to show that the funds held by the Scheme were insufficient to meet anticipated future commitments. The University has set a revised target of nine years and six months from 1 August 2013, to eliminate this deficit and increased employers' contributions temporarily to 22.5% (from 19%) from 1 August 2013 in order to fund the projected shortfall. This rate will go back down to 20% from 1 December 2016

**Assumptions**

The financial assumptions used to calculate scheme liabilities under FRS 102 as at 31 July are:

	<b>2016</b>	<b>2015</b>
Discount rate	2.5%	3.6%
Inflation assumption (RPI)	3.1%	3.5%
Inflation assumption (CPI)	2.1%	2.5%
Pension payment increase for ERBS members – pre 01/08/10	2.1%	2.5%
Pension payment increase for ERBS members – post 01/08/10	1.9%	2.1%
Long term salary increases	3.6%	4.0%
Increase on CARE benefits before retirement (in active service)	3.1%	3.5%

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used:

	<b>2016</b>	<b>2015</b>
Males currently aged 65 years	22.6	21.7
Females currently aged 65 years	24.4	24.1
Males currently aged 45 years	23.9	23.1
Females currently aged 45 years	25.9	25.5

**NOTE 32 PENSION SCHEMES (Continued)**
**Scheme assets and expected rate of return for ERBS**

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:

		<b>2016</b>		<b>2015</b>
		<b>£'000</b>		<b>£'000</b>
Equities	50.9%	60,956	68.9%	74,233
Corporate Bonds	8.7%	10,411	8.6%	9,305
Government Bonds	38.4%	45,939	21.1%	22,757
Cash / Other	2.0%	2,400	1.3%	1,403
Total		<b>119,706</b>		<b>107,698</b>
Present value of scheme liabilities		<b>(155,712)</b>		<b>(142,452)</b>
Pension liability		<b>(36,006)</b>		<b>(34,754)</b>

**Actual return on Scheme Assets**

	<b>Year Ended</b>	<b>Year Ended</b>
	<b>31 July 2016</b>	<b>31 July 2015</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial gain on assets	6,238	7,144
Interest income	3,911	4,051
	<b>10,149</b>	<b>11,195</b>

**Analysis of the amount charged to the Statement of Comprehensive Income**

	<b>Year Ended</b>	<b>Year Ended</b>
	<b>31 July 2016</b>	<b>31 July 2015</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	3,933	4,219
Past service costs	-	-
Scheme expenses	616	604
Interest income on assets	(3,911)	(4,051)
Interest cost on DBO	5,121	5,147
<b>Total charge to SoCI</b>	<b>5,759</b>	<b>5,919</b>

## NOTES TO THE ACCOUNTS

### NOTE 32 PENSION SCHEMES (Continued)

#### Analysis of movements

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
<b>Movement in the scheme deficit</b>		
<b>Opening deficit</b>	<b>(34,754)</b>	<b>(26,551)</b>
Current service cost	(3,933)	(4,219)
Contributions paid	5,759	5,710
Additional capital repayment	1,030	-
Scheme expenses	(616)	(604)
Interest income on assets	3,911	4,051
Interest cost on defined benefit obligation	(5,121)	(5,147)
Actuarial losses	(2,282)	(7,994)
<b>Deficit on scheme at the end of the year</b>	<b>(36,006)</b>	<b>(34,754)</b>

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
<b>Movement in the fair value of scheme assets</b>		
<b>Opening fair value of assets</b>	<b>107,698</b>	<b>96,425</b>
Interest income	3,911	4,051
Actuarial gain on assets	6,238	7,144
Employers' contributions	5,759	5,710
Additional Capital repayment	1,030	-
Members' contributions	281	250
Scheme expenses	(616)	(604)
Actual benefit payments	(4,595)	(5,278)
<b>Fair value of assets at the end of the year</b>	<b>119,706</b>	<b>107,698</b>

ERBS assets do not include any of the University's own financial instruments, or any property occupied by the University.

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
<b>Movement in the present value of ERBS Defined Benefit Obligations</b>		
<b>Opening DBO</b>	<b>142,452</b>	<b>122,976</b>
Current service cost	3,933	4,219
Interest cost	5,121	5,147
Member's contributions	281	250
Actuarial losses	8,520	15,138
Actual benefit payments	(4,595)	(5,278)
<b>Closing DBO</b>	<b>155,712</b>	<b>142,452</b>

## NOTES TO THE ACCOUNTS

### NOTE 33 PROVISIONS FOR LIABILITIES

	<b>Obligation to fund deficit on USS pension</b>	<b>Defined Benefit Obligations on ERBS pension</b>	<b>Total pensions provision</b>	<b>Other provisions</b>	<b>Total provisions</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2015	37,730	34,754	72,484	-	<b>72,484</b>
Utilised in year	-	(1,140)	(1,140)	-	(1,140)
Additions in 2015/16	983	2,392	3,375	2,600	5,975
<b>At 31 July 2016</b>	<b>38,713</b>	<b>36,006</b>	<b>74,719</b>	<b>2,600</b>	<b>77,319</b>

#### Pension provisions

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

For further details on the defined benefit obligation on the ERBS pension scheme see note 32. The University made an additional payment of £1m in July towards the liability. A consultation is currently ongoing to review the terms of the ERBS pension scheme to ensure that the University can continue to offer an affordable and sustainable pension scheme.

#### Other Provisions

£1.8m of the other provision is in relation to the guarantee held over Exeter Science Park. See note 31 for more details. Additional provision is held against construction disputes.

### NOTE 34 RELATED PARTY TRANSACTIONS

The University has taken advantage of the exemption 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.

This will include members of Council, as detailed on page 20. 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.

<b>Year ended 31 July 2016</b>	<b>Recognised Income £'000</b>	<b>Recognised Expenditure £'000</b>	<b>Balance due to/(from) the University £'000</b>
Biotechnology and Biological Sciences Research Council	2,855	15	-
BSW Consulting Limited	-	2	-
Camborne School of Mines Trust	162	-	20
Exeter Mathematics School	-	9	-
Falmouth Exeter Plus	10	5,355	1,527
INTO University of Exeter	1,125	336	124
Sainsbury Laboratory	-	1	-
South Devon University Technical College	-	5	-
UCAS	-	134	-
University of Exeter Student Guild	342	1,699	-
Willis Limited	1	-	-

**NOTE 34 RELATED PARTY TRANSACTIONS (Continued)**

<b>Year ended 31 July 2015</b>	<b>Recognised Income £'000</b>	<b>Recognised Expenditure £'000</b>	<b>Balance due to/(from) the University £'000</b>
Biotechnology and Biological Sciences Research Council	3,317	19	-
BSW Consulting Limited	-	9	(1)
Camborne School of Mines Trust	70	-	17
Falmouth Exeter Plus	34	4,873	(1,085)
INTO University of Exeter	1,221	728	60
Sainsbury Laboratory	-	1	-
UCAS	14	152	-
University of Exeter Student Guild	284	1,600	(437)
Willis Limited	56	-	14

- The Biotechnology and Biological Sciences Research Councils is a funding agency for academic research and training. One Council Member is a Grant Panel Chair.
- BSW Consulting Limited is a firm of consulting civil and structural engineers. One Council member is a Director.
- The Camborne School of Mines Trust funds research and teaching. The school merged with the University of Exeter in 1993. One Council member is a Trustee.
- The Exeter Mathematics School is a state funded 6th form college, jointly sponsored by the University of Exeter and Exeter College.
- Sainsbury Laboratory is a research institute aiming to elucidate the regulatory systems underlying plant growth and development. One member of Council is Chair of the Governing Council.
- The South Devon University Technical College is a new Technical College based in Newton Abbot, specialising in Engineering, Water and the Environment. One Council member is Chair of Governors.
- UCAS is a sector shared service, providing an undergraduate application and admission service. One Council member is Chair of the Board and its Remuneration and Nominations Committee.
- The annually elected Student President of the Student Guild is a Council Member.
- Willis Group Holdings plc is a multinational risk advisor, insurance brokerage and reinsurance brokerage company. One Council member is an Employee.

**FX+**

For further information on FX+ see note 19 on Joint Ventures.

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

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

**NOTE 34 RELATED PARTY TRANSACTIONS (Continued)**

The FX+ Group has capital commitments as follows:

	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Commitments contracted at 31 July	838	280
Authorised but not contracted at 31 July	3,625	2,584
	<b>4,463</b>	<b>2,864</b>

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

Transactions between the University and FX+ were as follows:

	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Income derived from the FX+ Group	10	34
Expenditure incurred with the FX+ Group	(5,355)	(4,873)

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

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

	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Amount owing from the University to the FX+ Group	1,527	1,085

**INTO University of Exeter LLP / Exeter ISC Limited**

For further information on INTO see note 19 on Joint Ventures.

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

	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Income derived from INTO	1,019	1,221
Expenditure incurred with INTO	366	728

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

	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Amount due to the University from INTO	124	60

## NOTES TO THE ACCOUNTS

### NOTE 35 ACCESS FUNDS

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 Statement of Consolidated income.

	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Balance at 1 August	-	39
Funding Council Grants	-	-
	<hr/>	<hr/>
	-	39
Disbursed to students	-	(39)
Administration costs	-	-
	<hr/>	<hr/>
<b>Balance at 31 July</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>

### NOTE 36 NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP (NCTL) INITIAL TEACHER TRAINING BURSARIES

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

	<b>Year Ended 31 July 2016 £'000</b>	<b>Year Ended 31 July 2015 £'000</b>
Balance at 1 August	148	197
NCTL Grants	3,586	2,358
	<hr/>	<hr/>
	3,734	2,555
Disbursed to students	(3,587)	(2,407)
Administration costs	-	-
	<hr/>	<hr/>
<b>Balance at 31 July</b>	<b>147</b>	<b>148</b>
	<hr/> <hr/>	<hr/> <hr/>

## FIVE YEAR SUMMARY ACCOUNTS

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

The five year summary accounts have been restated to adopt the principles of FRS 102, so that the year on year figures are consistent and comparable. The 2014/15 and 2015/16 accounts reflect the audited figures in the current financial statements. The restatement of 2013/14 and earlier years has not been audited. The figures are indicative and are included for information only.

<b>INCOME AND EXPENDITURE</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>					
Tuition fees and education contracts	203,549	181,580	150,623	119,809	93,745
Funding body grants	46,261	41,238	46,438	59,109	68,382
Research grants and contracts	61,853	69,926	60,512	53,287	49,554
Other income	56,620	63,209	63,697	77,816	55,956
Investment income	1,233	1,731	3,350	2,023	3,295
<b>Total income before endowments and donations</b>	<b>369,516</b>	<b>357,684</b>	<b>324,620</b>	<b>312,044</b>	<b>270,932</b>
Donations and endowments	1,600	2,474	1,294	3,150	1,927
<b>Total income</b>	<b>371,116</b>	<b>360,158</b>	<b>325,914</b>	<b>315,194</b>	<b>272,859</b>
<b>Expenditure</b>					
Direct staff costs	185,537	177,766	168,416	152,535	140,582
Movement on pension provision	(1,267)	16,575	1,656	761	1,600
Fundamental restructuring costs	-	7,452	-	-	-
Other operating expenses	124,949	110,162	109,163	109,003	92,401
Depreciation	37,869	36,115	35,050	30,473	28,186
Interest and other finance costs	11,091	10,383	9,312	5,982	5,839
<b>Total expenditure</b>	<b>358,179</b>	<b>358,453</b>	<b>323,597</b>	<b>298,754</b>	<b>268,608</b>
<b>Surplus / (Deficit) before other gains losses and share of joint ventures</b>	<b>12,937</b>	<b>1,705</b>	<b>2,317</b>	<b>16,440</b>	<b>4,251</b>
(Loss) / Gain on investments	(63)	1,875	2,970	4,312	(2,260)
Share of operating surplus/(deficit) in joint venture	1,650	1,122	499	1,632	1,556
<b>Surplus / (Deficit) before tax</b>	<b>14,524</b>	<b>4,702</b>	<b>5,786</b>	<b>22,384</b>	<b>3,547</b>
Taxation	(14)	(1,743)	-	-	-
<b>Surplus / (Deficit) for the year</b>	<b>14,510</b>	<b>2,959</b>	<b>5,786</b>	<b>22,384</b>	<b>3,547</b>
<b>EBITDA</b>	<b>62,279</b>	<b>65,900</b>	<b>48,835</b>	<b>55,288</b>	<b>41,432</b>
<b>Normalised EBITDA</b>	<b>43,683</b>	<b>37,492</b>	<b>28,784</b>	<b>23,313</b>	<b>26,391</b>

## FIVE YEAR SUMMARY ACCOUNTS

These pages do not form part of the Statutory Financial Statements

<b>BALANCE SHEET</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>					
Tangible and intangible assets	696,693	687,469	666,461	603,119	577,772
Heritage assets	7,244	7,171	7,171	4,585	4,585
Investments	42,039	41,895	39,550	39,189	38,399
Investment in joint venture	13,050	13,584	13,579	15,965	15,705
Net current assets	62,270	62,082	68,629	5,202	276
Creditors: due after one year	(268,456)	(255,092)	(245,827)	(161,751)	(147,490)
	<b>552,840</b>	<b>557,109</b>	<b>549,563</b>	<b>506,309</b>	<b>489,247</b>
Pension liability and other provisions	(77,319)	(72,484)	(46,180)	(38,335)	(28,571)
	<b>475,521</b>	<b>484,625</b>	<b>503,383</b>	<b>467,974</b>	<b>460,676</b>
Represented by:					
Endowment reserve	32,533	33,197	30,265	29,149	23,488
Income and expenditure reserve	421,233	429,338	450,775	418,778	415,569
Revaluation reserve	21,755	22,090	22,343	20,047	21,619
<b>Net current (liabilities)/assets</b>	<b>475,521</b>	<b>484,625</b>	<b>503,383</b>	<b>467,974</b>	<b>460,676</b>

	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
<b>Finance Strategy KPIs</b>					
Earnings (EBITDA) as a % of Total Income	16.8%	18.3%	15.0%	17.5%	15.2%
<i>Normalised earnings (EBITDA) as a % of Total Income</i>	11.8%	10.4%	8.8%	7.4%	9.7%
Staff Cost ratio	49.9%	49.4%	51.6%	47.8%	51.2%
<i>Normalised staff cost ratio</i>	49.9%	44.5%	51.1%	47.5%	50.7%

Normalised results are defined in the business review for the relevant year, and reflect the results per the financial statements adjusted for material non-repeat items.





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