

**WE MAKE THE  
EXCEPTIONAL HAPPEN  
BY CHALLENGING  
TRADITIONAL THINKING  
AND DEFYING  
CONVENTIONAL  
BOUNDARIES**

# FINANCIAL STATEMENTS 2016 - 2017

## CHANCELLOR

Lord Paul Myners of Truro CBE

## VICE-CHANCELLOR'S EXECUTIVE GROUP As at 23 November 2017

### Vice-Chancellor and Chief Executive

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

### Provost and Senior Deputy Vice-Chancellor

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

### Deputy Vice-Chancellors

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

Professor Tim Quine, BSc *UCL* PhD *Strath* 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 MPhil PhD FAcSS

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

### Registrar and Secretary

Mike Shore-Nye, BA (Hons)

### Deputy Registrar and Director of People Services and Global Partnerships

Jacqui Marshall, FCIPD FIoD

### Director of Communications and Corporate Affairs

Jane Chafer, BSc MBA FCIM

### Chief Financial Officer

Andrew Connolly, BA (Hons) CPFA

### Chief College Operations Officer

Linda Peka BSc (Hons) FCPFA

### Director of Campus Infrastructure and Operational Support Services

To be appointed

## BANKERS

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

## INVESTMENT MANAGERS

J.P. Morgan International Bank Ltd  
25 Bank Street  
Canary Wharf  
London  
E14 5JP

## EXTERNAL AUDITOR

KPMG LLP  
Plym House  
3 Longbridge Road  
Plymouth  
PL6, 8LT

## INTERNAL AUDITOR

BDO LLP  
Arcadia House  
Maritime Walk  
Southampton  
SO14 3TL

## COUNCIL

### Officers:

Sarah Turvill, Pro-Chancellor and Chair of Council

Dr Sarah Buck OBE, Pro-Chancellor

Richard Hughes, Pro-Chancellor (*appointment ended 31 July 2017*)

Richard Atkins CBE, Pro-Chancellor (*appointed 1 August 2017*)

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:

Jo Binding Clare Marx CBE, DL, PRCS (*appointment 1 August 2017*)

Gerry Brown Sir John O'Reilly

Nicholas Bull Alison Reed

Graham Cole CBE Richard Sargeant

(*appointment 1 April 2017*) Professor Stephen Tomlinson CBE

Kiron Farooki (*appointment ended 31 July 2017*)

Judy Hargadon OBE

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Council, Vice Chancellor's Executive Group and Advisors

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### FURTHER ANALYSIS

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### Members appointed by the Senate:

Dr Barrie Cooper (*appointment 1 August 2017*)

Professor David Hosken

Professor Tim Quine (*appointment ended 31 July 2017*)

Professor Wendy Robinson (*appointment 1 August 2017*)

Professor Michelle Ryan (*appointment ended 31 July 2017*)

### Member of Staff other than Academic Staff:

Sally Turner

### Student Members:

Toby Gladwin (*appointed 1 August 2016*)

(*appointment ended 31 July 2017*)

Tom Murray-Richards (*appointed 23 February 2017*)

(*appointment ended 31 July 2017*)

Shradha Chaudhary (*appointed 1 August 2017*)

Dean Pomeroy (*appointed 1 August 2017*)

## CHAIR'S FOREWORD

**The University has had another very satisfactory year. In particular, the year was marked not only by another strong financial performance, led by a substantial growth in research income, but also by the University achieving Gold in the new teaching excellence framework or TEF. This award reflects our exceptional performance in student satisfaction, retention and employability of our graduates. Our aim is be highly rated for both research and teaching and the achievement of TEF Gold provides independent and external validation of our teaching performance alongside our excellent achievements in the 2014 research excellence framework.**

In July we opened the Living Systems Institute, a £55m new building complex on our Streatham Campus designed to focus on interdisciplinary research into the complexity of living systems and to understand when these living systems are affected by disease. We are very pleased that we have recruited scientists of exceptional capability to the Institute. At full occupancy the building will house 200 researchers. Investment in staffing and facilities is critical in driving our reputation and research power ambitions.

In 2016, Exeter was *The Times* and *The Sunday Times Sports University of the Year*, and the priority we give to sport, at all levels of participation was reflected in the opening in November 2016 of a new £4m sports centre on our Cornwall campus.

The last four years have focused on delivering an ambitious transformation programme, ensuring that our professional services are enabled to support the delivery of our new strategy. In December the governing body approved a new £428m 10-year capital strategy addressing future education and research needs, IT infrastructure as well as sport and social facilities. The delivery of this plan over the next decade will protect and enhance our performance, reputation and standing, supporting the delivery of our core education, research and impact strategies.

But the governing body and senior leadership recognise there is no room for complacency. The University's performance in the 2017 student satisfaction survey was disappointing, dropping from 12th to 20th in the sector for overall satisfaction. Addressing this is a high priority. We were pleased however, that our position on graduate destinations, covering graduate employment and further study, improved from 29th to 11th in the UK. The Government's new data on the earnings of graduates also show that Exeter graduates perform well, earning above average levels after one, three and five years following their graduation.

The return on investment made by individual students in their university career, and by research funders, is rightly under the spotlight. In this Exeter is proud of its contribution and performance. *Making the Exceptional Happen* is the title of our strategy, it encompasses our mission of being a global university by contributing towards solving many of the challenges facing society by building our research power, equipping our graduates to stand out from the crowd and be among the best in the world while supporting regional growth.

The challenges of Brexit concern us, in particular how it will impact upon our staff, prospective students and our current and future international research collaborations. The senior team, through the leadership of Sir Steve Smith, are focused on supporting staff locally and influencing the national policy to the extent we are able to. Whatever the outcome, I am confident that Exeter's strong financial position and high performance culture puts the University in a good position to thrive in these challenging times.



A handwritten signature in black ink, appearing to read 'Sarah Turvill'.

**Sarah Turvill,**  
Chair of Council



HIGHLIGHTS

PERFORMANCE

- Total income: **£397.1m** (£371.1m), up **7%**
- Cash flow from operating activity: **£55.0m** (£70.0m)
- Surplus for the Year: **£18.2m** (£14.5m)
- Staff cost ratio: **52.0%** of total income (49.9%)

INVESTMENT

- Capital expenditure: **£29.5m** (£34.1m)
- Capital grants: **£5.1m** (£8.8m)

LIQUIDITY AND DEBT

- Total bank debt: **£188.8m** (£195.3m)
- Total cash (cash and current investments): **£127.3m** (£119.7m)
- Net debt: **£61.9m** (£76.2m)

FINANCIAL STRENGTH

- Net current assets ratio: **1.6** (1.6)
- Net assets: **£509.3m** (£475.5m)

\* Comparative data for the prior year 2015/16 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 and have been prepared in accordance with Financial Reporting Standard 102 (FRS102) as interpreted by the 2015 edition of the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP 2015).

RESULTS FOR THE YEAR

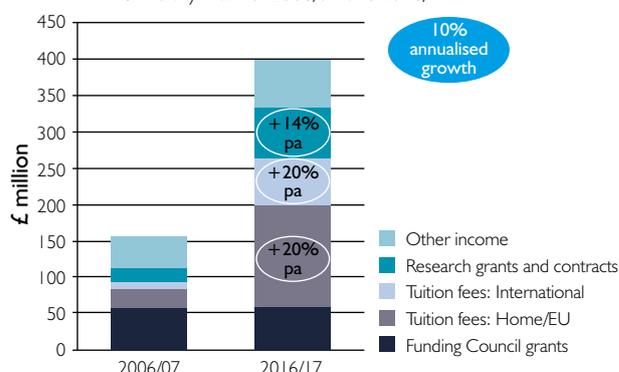
The University posted another strong year, with total income up 7% to £397m, EBITDA ended the year ahead of budget and the surplus for the year of £18.2m represented 4.6% of total income. Operating cash inflow at £55m was a healthy 14% of total income while net assets increased by £33.8m to stand at £509m.

Income of £397m increased by 7% over the year, with all revenue streams contributing strongly: home/EU tuition fee income of £144.2m up 7%, fees from international students of £62.3m increased by 8% while income from research grants and contracts of £70.2m were up 14% over the year.

It is a decade since the Government started to shift the cost of funding teaching in universities from the general taxpayer, through Funding Council grants, to the graduate, through variable tuition fees repaid from future graduate earnings.

The graph below shows how changes to the funding system, along with the delivery of University strategies, have changed the shape of the University's finances. Over this decade tuition fee income from home/EU sources has grown by 20% per year, matched by a similar 20% annualised growth of income from international students. Income from research grants and contracts, won in a highly competitive peer-reviewed process, has grown by 14% per year with much of this growth being driven by EU funding, which has increased at the rate of 20% per year.

**A decade of growth and change**  
University income: 2006/07 and 2016/17



Taking into account the reduction in general taxpayer funded teaching grant, total income has grown by an average of 10% per year over the last decade, an impressive record considering the UK endured a major economic recession during this period.

Top-line growth of income reflects increased activity levels, reaching more students, delivering more research outputs and achieving greater business and societal impact. To deliver the University's teaching and learning, research and impact strategies requires sound finances. The University's finance strategy, updated by Council in December 2016, targets *earnings before interest, depreciation, taxation and amortisation* (EBITDA) as its key finance target. EBITDA represents the cash operating surplus that is required to fund capital expenditure and to support a high quality staff and student experience, as well as growth and debt servicing commitments.

The table below reconciles the value of *EBITDA for Higher Education* derived from the financial statements to the definition of EBITDA used as the University's financial target.

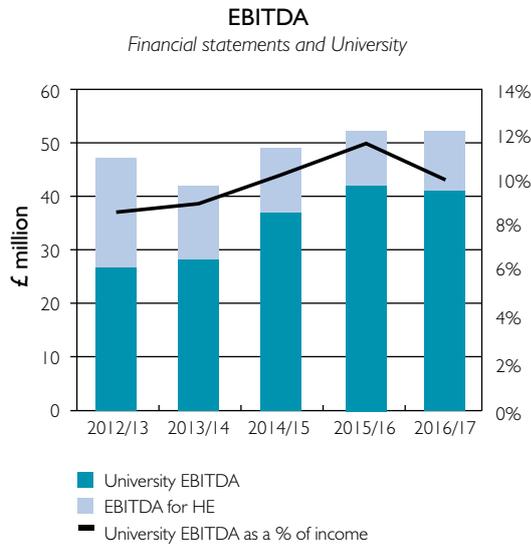
	<b>EBITDA</b>
	<b>£000</b>
<b>Financial Statements EBITDA<sup>1</sup></b>	<b>53,509</b>
less service concessions	(13,115)
add exceptional costs <sup>2</sup>	
- Transformation project	2,530
- Increase in Science Park loan provision	600
less research equipment depreciation <sup>3</sup>	(1,119)
add endowment deficit	(138)
<b>University EBITDA</b>	<b>42,265</b>

<sup>1</sup>Definition of EBITDA for HE issued by the British Universities Finance Directors Group

<sup>2</sup>Exceptional costs that are not disclosed on the face of the Statement of Comprehensive Income

<sup>3</sup>EBITDA for HE adds back depreciation charges. In the University's management accounts however, research equipment depreciation is treated as a direct cost to be funded from targeted University EBITDA.

The graph below shows the recent trajectory of EBITDA, showing both EBITDA for HE and the University's own targeted definition of EBITDA.

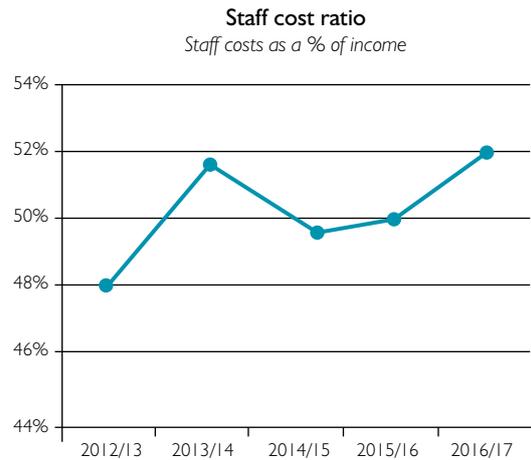


An £11m reduction in EBITDA was budgeted for 2016/17 but was brought in ahead of budget resulting in a reduction of only £1.4m over the year. The planned reduction reflected investment in new academic staff for the new Living Systems Institute as well as investment in new staff to improve staff/student ratios in targeted academic disciplines. The year also saw a marked uplift in employment costs as the University bore the full year impact of increased pension and national insurance costs as well as a part year impact of the new apprenticeship levy.

In 2014 the University implemented a series of transformation projects aimed at realigning our professional support services to ensure they were enabled to support our new education, research and impact strategies. This included an objective of increasing EBITDA to £55m per year by 2020/21 in order to fund planned capital investment of £40m per year and current debt servicing costs of £15m per year.

In December Council approved a new 10-year £428m capital strategy, reflecting the good progress in delivering the transformation programme which was formally closed in July 2017, although some projects will continue into 2017/18 and 2018/19, delivering further business benefits to the bottom line.

Staffing costs have, over the last year, increased at a faster rate than income. This is a result of a combination of investment in academic staff, an increase in pensions and employment taxes of 20% over the year and the fifth year of a flat £9,000 tuition fee for home/EU undergraduates which, at £144m, is the University's largest income stream.

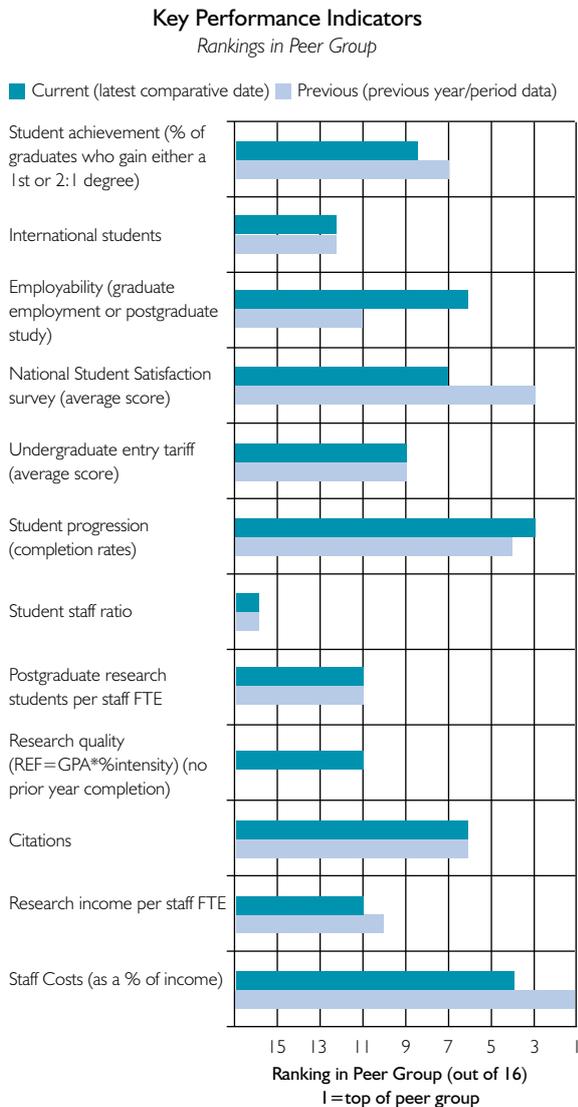


KEY PERFORMANCE INDICATORS

The University monitors its overall performance across a range of 13 KPIs which focus on the student experience, research and financial strength. The KPIs are designed to have a clear line of sight to our longer-term institutional goals which are set down in our strategy, Making the Exceptional Happen.

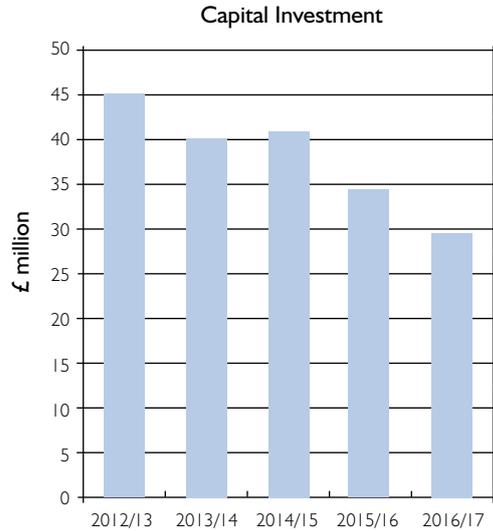
We benchmark performance against a high-performing competitor group of 15 other UK institutions who are all ranked in or around the UK top 10 and who also perform strongly in global rankings. Whilst publicly available data from HESA is often lagging we use Business Intelligence to model our anticipated performance and inform our decisions.

The following table shows our rankings within our competitor group for each of the current KPIs:



INVESTMENT

Capital investment at £29.5m (£34.1m) includes the recently opened Living Systems Institute on the Streatham Campus, a new sports centre and suite for Master’s students in Cornwall.



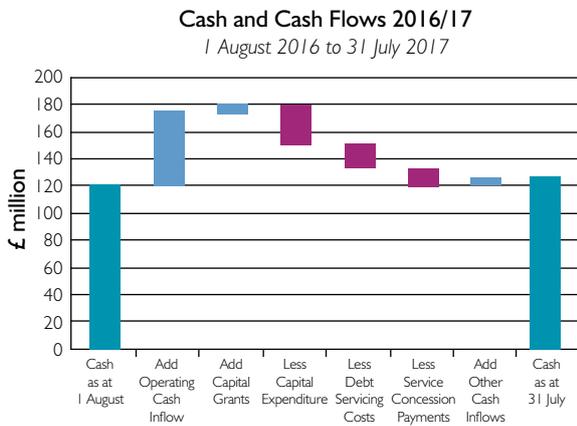
Capital investment has been on a downward trajectory in recent years following a decision to allow the committed capital programme to work through, enabling attention to be focused on delivering transformation and increasing EBITDA performance. Following Council’s approval of a new capital investment strategy in December, investment is set to return to an upward trajectory over the coming years. The strategy focuses on balancing future investment between teaching and learning, research, IT infrastructure, equipment, sports, sustainability and social facilities.

DEBT, LIABILITIES AND LIQUIDITY

Compared to our peers, the University is relatively highly geared, reflecting high levels of past investment. However, many of our peers have been increasing borrowing in recent years whereas the University has commenced debt repayment. Future investment plans are based on funding capital investment from cash generation. Gross debt reduced by £6.7m over the year, standing at £189m as at 31 July.

Debt has effectively been fully hedged either with interest-rate swaps or through fixed-rate loans, and as a result interest costs are fixed for their term. A consequence of hedging through interest-rate swaps is the requirement to report the mark-to-market valuation of swap contracts on the balance sheet, currently showing a liability of £45.9m, down £13.5m over the year.

The graph below shows that cash balances<sup>4</sup> increased by £7.6m over the year to stand at £127m as at 31 July with operating cash inflow of £55m exceeding capital expenditure of £29m and debt servicing costs of £15m.



Cash balances have been artificially high for a number of years, reflecting that senior management have been focused on transformation projects, when capital investment has been falling and EBITDA improving as the benefits of the transformation project flow through. The new capital strategy will result in cash balances being modestly drawn down over the next few years before they then stabilise with annual cash generation funding annual capital investment.

<sup>4</sup>Cash balances means cash at bank and cash placed in short-term investments

## PHILANTHROPY AND ENDOWMENTS

The University's campaign *Making the Exceptional Happen* was launched in the year, aiming to facilitate the University's vision of being a global 100 research leader and creating graduates of distinction.

Income from philanthropic sources amounted to £5.2m over the year, with £3.6m from new endowments, £213k in donations, £845k recognised as research income and £525k in the form of capital grants. The largest gift was £1.3m from the estate of Mr Stuart Handley, an Exeter alumnus which has boosted the Exeter Forever permanent endowment fund to over £2m. Also, £235k was pledged from CSM trust to support projects within the Camborne School of Mines.

Endowment funds ended the year at £37m, an increase of £4.6m as a result of new endowments (£3.6m), capital appreciation (£2.7m), investment income (£423k) less expenditure on charitable purposes (£2.1m).



### RISKS

#### Pensions

Defined benefit pension obligations continue to represent a material liability at £68.3m (£74.7m in 2015/16). This comprises a liability relating to the Universities Superannuation Scheme (USS) deficit recovery of £40.6m, up £1.9m over the year, and a liability relating to the University's own Exeter Retirement Benefit Scheme (ERBS) estimated at £27.7m, down £8.3m over the year.

USS is currently undergoing its 2017 triennial valuation. At its 2014 valuation the scheme deficit was assessed at £5.3 bn and this resulted in a suite of benefit changes and higher contributions from both employer and employees. It is too early to assess the impact of the 2017 valuation. It is probable that there will need to be a combination of further benefits changes and/or increases to contribution rates. On an FRS102 basis, the USS scheme deficit is valued at £17.5 bn nationally, an increase of £9 bn from 2016.

The University closed its own ERBS scheme to future accrual of defined benefits on 1 December 2016. The scheme was replaced by a new and separate defined contribution scheme called the Exeter Retirement Saving Scheme. This change has resulted in a material reduction to the valuation of the scheme deficit, with a £6.8m curtailment credit to the surplus in 2016/17, capturing the reduction in liability. More importantly the change 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 ever increasing.

#### Impact of the EU Referendum June 2016

The outcome of the UK referendum in 2016, voting in favour of the UK leaving the European Union is a significant event for UK universities and adds to operating and funding uncertainty.



The uncertainty faced by our EU national staff, comprising 12.4% of our academic staff is our major concern. Research is by nature a collaborative and international endeavour and our EU staff play a vital role in delivering high quality research outputs and impact. We are engaging staff and supporting them with legal advice but until the Government and the EU finalise the rules then this uncertainty and risk remains high.

Income from EU-funded research amounted to £14.1m in 2016/17, an increase of 19%. The Government have 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 uncertainty over the future position of the UK with respect to European research collaborations and funding programmes remains a concern.

The Government have also announced that EU students entering the University in 2017 and 2018 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. EU students make up 8% of the University's student body, adding to the vibrancy, richness and academic quality of the student body. However, this is not considered a material financial risk as there are opportunities to substitute with other student groups.

The University's Brexit Mitigation Group continues to monitor and co-ordinate the University's response to evolving Government announcements and policy.

### FUTURE OUTLOOK

Recruitment of international students in 2017/18 is in line with levels achieved in 2016/17 but falls short of that budgeted. The budget shortfall will be absorbed within central contingency and other budgets.

Research awards, the order book for future research activity and income, continues on a strong upward trajectory and this will translate into higher income streams. Confidence that the 2017/18 budget will be delivered is high.

The settlement of the USS 2017 actuarial valuation is a key risk, both financially and in terms of industrial relations, with the national trade unions agitating to protect current pension benefits. Current expectation is that the valuation will be settled within the current funding envelope, without increasing costs to the employer or employee but the likelihood that future pension benefits will have to be curtailed is high.

While confidence is high in terms of delivering the 2017/18 budget, beyond that the sector faces considerable uncertainty. With Brexit looming large the UK's position is still unresolved.

### Tuition Fees

In 2017/18 the home/EU undergraduate fee cap of £9,000 received its first inflationary uplift, to £9,250, since the fee cap was introduced in 2012/13. It now appears likely that tuition fees will remain at this new level without further inflationary increases. The University has constructed its budget and five year financial plans reflecting this position. The University has largely dealt with the last five years of zero inflation on its single biggest income stream by growing other income streams and making efficiencies through the transformation project. Looking forward, it is likely that continued growth in activity will be subject to greater competitive forces, and will not be such an attractive option as it has been in the past.

### Cyber Attack

As a result of cyber attack e.g. ransomware, phishing etc, there is a risk of financial exploitation and theft, which could impact us through loss of funds, reputation and trust with suppliers or customers. The University has rehearsed the response to such attacks recently and has put significant investment in training for staff, procedural and technical measures to reduce the likelihood of a successful attack.

### GOING CONCERN

In July 2017 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 highly 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.

### Andrew Connolly

Chief Financial Officer



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. The University's detailed strategies covering Education, Humanities and Social Sciences, Science, Arts and Culture, Internationalisation and Sustainability, ensure that Council considers the different beneficiaries of the University, including students, researchers, research collaborators and local communities.

### ACCESS

Improving access is a high priority. The University 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 qualifying applications are considered and evaluated on the basis of individual potential.

The proportion of state school entrants has improved year on year, but at 66% it is below our target of 71%. Through the implementation of revised policies we have made significant improvements in the recruitment of students from low participation neighbourhoods, rising from 4.4% to 5.3%, as well as increasing the diversity of our student body with an increase in the black and ethnic minority population rising from 5.8% in 2011/12 to 10.4% in 2016/17. The proportion of students stating they have a disability has increased year on year for the last three years.

### TEACHING

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

### RESEARCH

Research provides benefit to the public through publications of the findings. The University demonstrates world-class research in all its subject areas with much of the research creating a distinctive and measurable impact on society. Our researchers make major contributions in a wide range of subject areas including food security, diabetes, mood disorders, climate change and sustainable futures, systems biology, the digital economy, global uncertainty, social change, extrasolar planets and renewable energy.

### COMMUNITY

The University plays a direct role in improving school quality and pupil attainment and is an active partner in innovative projects designed to unlock student potential, address skills gaps in the region, improve the gender balance in science, technology, engineering and mathematics and provide fair access to the best education. The University sponsors the Exeter Mathematics School, is a partner in the Ted Wragg Multi Academy Trust and the South Devon University Technical College and a co-sponsor with the Universities of Bath and Bristol of INTO University which provides a support programme for young people from disadvantaged backgrounds.

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.

We have an extensive outreach programme from our Penryn Campus, host the annual Excellence Awards from our local secondary schools, host the Children's University awards in Cornwall as well as sponsoring a number of business related events and awards. Within the local community, we run regular drop-in sessions called Community Conversations and distribute a termly newsletter. Representatives attend local town council surgeries and civic events on behalf of the University. Rates of student volunteering at Penryn Campus are amongst the highest nationally, with money raised going to local and national charities.

## 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 2016/17 and Council is 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 2016/17 is at the front of the accounts. 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 7 and 32 to the financial statements respectively.

The University operates from four campuses: Streatham and St Luke's in Exeter, and Penryn and Truro in Cornwall. There are also two student unions: the Guild based at Streatham and FXU, which jointly represents students of the University of Exeter Penryn Campus and Falmouth University. It also has a research and education facility on the Wonford site 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 whom are from outside the University (independent members). The members include representatives of staff and students. Council met seven times during 2016/17, including one away day, as well as a joint meeting of Council and Senate.

### Council Committees

There are three Council committees: Audit, Nominations and Remuneration Committee. 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 independent members (from whom a chairman is selected).

## REPORT FROM THE CHAIR OF AUDIT COMMITTEE

Audit Committee perform a number of important roles, including: reviewing the effectiveness of financial and other control systems as well as the adequacy and effectiveness of the University's arrangements for corporate governance, risk management, value for money and data management.

The Committee consists entirely of non-executive members, mostly drawn from Council but co-opting individuals outside of the University who can bring specialist expertise. Regular reports from both internal and external audit and presented to the Committee throughout the year. Senior officers from the University regularly attend such as the Registrar and Secretary and Chief Financial Officer while other officers are called to the Committee as and when requested, such as the Chief Information and Digital Officer. The Head of Governance and Compliance acts as secretary to the Committee.

The Committee met four times during 2016/17.

## CORPORATE GOVERNANCE AND STATEMENT OF INTERNAL CONTROL

Membership, and attendance at meetings, was as follows:

	Eligible to Attend	Actually attended
<b>Nicholas Bull FCA</b> , independent member of Council and Chair	4	4
<b>Richard Hughes FCA</b> , independent member of Council	4	4
<b>Nick Caiger</b> , co-opted member	3	3
<b>Judy Hargadon</b> , independent member of Council	4	3
<b>Nick Swift ACT ACA</b> , co-opted member	4	3
<b>Alison Reed ACA</b> , independent member of Council	2	2

Audit Committee has continued to work on behalf of the Council and gained assurance on the effectiveness of the University's financial controls, corporate governance and accountability mechanisms, including its risk management arrangements.

2016-17 was a busy year and included continued focus on value for money, the effective management of financial controls with detailed reviews of the University's fraud and expenses policies, the management of financial irregularities and the assurance of efficient tax compliance. We have also continued to work closely with the Risk Dual Assurance team to gain assurance that the University's risk management arrangements and policies are effective and robust and that they are properly focused on mitigation.

We reviewed the outcome of 19 internal audits that ranged across the entire width of the University's business activities. We also continued to ensure a strong focus on the completion of outstanding audit recommendations and saw the overall number fall significantly.

A particular focus of our audit attention has been upon two areas of significance challenge where in each case there were incidents of controls being breached: the University's arrangements for cyber security and its compliance with the expectations of the UK Visa and Immigration department of the Home Office. Both audits were designed to assist the University develop improvement plans and added significant value.

The Committee has continued to review the University's processes for ensuring data quality and has worked closely with planning staff to ensure that reports to Audit Committee are strongly focused on data quality risks and their mitigation.

Other key areas of work have included:

- A review of the effectiveness of the University's "dual assurance" governance arrangements
- Assurance that the University is compliant with the Modern Slavery Act
- Consideration of the risks associated with the development of new programmes and their value to students
- Preparation for the new General Data Protection Regulation
- Compliance with the Prevent duty.

The Committee was satisfied that these areas were being managed effectively.



As the term of contract for the current internal auditors expires at the end of 2017-18, the Committee has also begun the process of procurement for an internal audit provider for the next period. The contract with the external auditors has been renewed under the terms of a “2+2” years agreement.

As usual, we also undertook, on behalf of Council, a detailed review of the University end of year financial statements and judged that these had been prepared using appropriate accounting practices and policies and took into account the opinion of the external auditors.

In our Annual Report to the Vice-Chancellor, Council and HEFCE for 2016-17, the Committee was of the opinion that the University had a sound framework of risk management, control and governance, value for money and the management and quality assurance of data.

## Mr N J D Bull FCA

Chair of Audit Committee

## REPORT FROM THE CHAIR OF NOMINATIONS COMMITTEE

The Nominations Committee is responsible for making recommendations to Council in relation to the following positions:

- The Chancellor
- The Pro-Chancellors
- The Chair of Council
- Independent Members of Council
- Members of Committees of Council and other University committees
- Dual Assurance appointments
- Appointments to Trusts associated with the University.

It is also responsible for reviewing arrangements for developing future leaders of the University and for succession planning.

The Nominations Committee actively promotes equality and diversity in all its deliberations and appointments.

The Committee met three times in the academic year 2016/17. Membership and attendance at meetings was as follows:

	Eligible to Attend	Actually attended
<b>Sarah Turvill,</b> independent member and Chair of Council (Chair)	3	3
<b>Sarah Buck,</b> independent member of Council	3	3
<b>Richard Hughes,</b> independent member of Council	3	3
<b>Professor Sir Steve Smith,</b> Vice-Chancellor	3	3
<b>Professor Janice Kay,</b> Provost and Senior Deputy Vice-Chancellor	3	3
<b>Mike Shore-Nye,</b> Registrar and Secretary	3	3
<b>Bettina Rigg,</b> co-opted member	3	3

The Committee reviewed the composition of Council, upcoming succession needs and the skill-sets identified as necessary to be covered by independent members of Council with a view to making appointments specifically in those areas. The areas of skill which should necessarily be covered were identified as finance, education, infrastructure, business and partnerships, communication and reputation, philanthropy, ethics, digital and international. It was agreed that these were well covered, but that in replacing members, the Committee would need to focus on any skills lost.

The Committee also reviewed the diversity of the membership of Council. For the 2016/17 year the Independent Members of Council, including the Pro-Chancellors, was made up of six females and eight males, one of whom identifies as BME. It was agreed that there was a need to further develop the diversity of Council.

The Committee received a presentation at each meeting from the Deputy Registrar and Director of People Services and Global Partnerships on the Developing Future Leaders programme and succession planning.

The Committee made the following recommendations of nominations to Council which were subsequently approved:

- Pro-Chancellor – Richard Atkins
- New members of Council – Graham Cole and Clare Marx

One Independent Council place has been left vacant.

The Committee also recommended that the Exeter President of FXU, the Falmouth and Exeter Students' Union, should become an ex-officio member of Council.

The committee made recommendations for new appointments to the Audit Committee, the Remuneration Committee and the Nominations Committee.

The independent members of Council, including Pro-Chancellors, for 2017/18 comprise seven females and six males. In terms of ethnicity, one identifies as BME.

**Sarah Turvill** Chair of Nominations Committee

## REPORT FROM THE CHAIR OF REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining the Reward Strategy of the University and for setting the remuneration of the senior managers of the University including the Vice-Chancellor, the Registrar and Secretary and the other members of the Vice-Chancellor's Executive Group (VCEG) within the parameters of the Reward Strategy. It also reviews the decisions taken by the Professorial and Senior Salaries Committee on the remuneration of Professors and senior staff within Professional Services. The Committee is also responsible for decisions in relation to the Executive Performance Reward Scheme.

This year there has been elevated interest by stakeholders, regulators and the Government regarding remuneration of University leaders and Vice-Chancellors in particular. Concerns have been raised about the levels of pay, value for money and transparency. The Committee has already taken steps to improve transparency and accountability through the provision of additional information in its report in the annual Financial Statement and an annual presentation and discussion to independent members of Council. In view of the heightened sensitivity in the external environment, the Committee has resolved to increase further the information which it reports about the University's remuneration policies and approach toward senior managers' reward.

### Reward Strategy

The Committee is concerned with the full spectrum of senior employment issues, including recruitment; promoting and retaining the highest quality academic and Professional Services leaders; setting performance targets and incentives for these leaders to develop the continued success of the University; and monitoring the outcomes and the way in which they are achieved. The University's Reward Strategy is designed to motivate our key talent to achieve the University's strategic objectives, to deliver an outstanding experience for our students, to drive forward our internationally focused research and to lead and inspire our academic and Professional Services employees.

The Reward Strategy sets out the following overarching principles which guide the decisions taken by the Committee on executive reward:

- reward excellence and competency;
- be more transparent about the total reward package and how reward is determined;
- apply a consistent framework to reward which recognises different staff categories;

- further reinforce the embedding of equality in our approach towards reward;
- promote the total reward package (financial and non-financial);
- develop clear initiatives which facilitate career and reward progression;
- focus reward on positive stewardship of the University and legacy;
- clearly contribute to key University strategies.

### Executive Performance Reward Scheme

Decisions on the base salary of members of VCEG are informed by market data, institutional and personal performance and affordability. The Committee's aim is to pay a competitive salary but a significant part of this is dependent upon performance. (Members of VCEG do not receive general increases agreed annually at national level in the Joint National Committee for Higher Education Staff.)

The Executive Performance Reward Scheme recognises both institutional performance and personal performance. Under the Executive Performance Reward Scheme members of VCEG are eligible for a performance related payment of up to 20% each year.

To recognise institutional performance – since all senior managers have a shared responsibility in the success of the University – half of the potential performance related payment is subject to the University achieving a range of institutional targets.

The other half is subject to the achievement of personal performance objectives, including *how* these are achieved, as well as *what* is achieved.

In 2014, as part of the new Reward Strategy, the Committee introduced an additional performance-related reward arrangement for members of VCEG, to recognise their contribution to the long-term success and sustainability of the institution, complementing the existing annual performance reward arrangements. The Committee agreed long-term performance targets for the three year period 2014 – 2017.

### Membership and Meetings

The Committee is chaired by the Pro-Chancellor (Finance). In 2016/17, the Chair of Council, three other independent members of Council, the Vice-Chancellor and the Provost were also members of the Committee (Note: as of September 2017, the Vice-Chancellor and Provost are no longer members of the Committee). No member of staff is present for the discussion of their own remuneration.

The Committee met four times during 2016/17. The independent members and their attendance at meetings were as follows:

	Eligible to Attend	Actually attended
<b>Richard Hughes</b> , Chair (until July 2017) independent member of Council	3	3
<b>Richard Atkins</b> , Chair (from July 2017) independent member of Council	4	3
<b>Sarah Turvill</b> , independent member and Chair of Council	4	4
<b>Sarah Buck</b> , independent member of Council	4	4
<b>Judy Hargadon</b> , independent member of Council	4	3
<b>Kiron Farooki</b> (from Sept 2017), independent member of Council	1	1

### September 2016

At the beginning of the year, the Committee reviewed and approved the institutional and personal targets for 2016/7.

### December 2016

The Committee reviewed the University's policy on the pensions arrangements for staff who have reached the Lifetime Allowance, continuing discussions from earlier meetings. The Committee agreed new arrangements to pay an allowance in lieu of employer pension contributions (which would be cost neutral to the University) where an employee chooses to opt out of the pension scheme, after taking independent financial advice, because they had reached the Lifetime Allowance. The Committee also reviewed the decisions taken by the Professorial and Senior Salaries Committee, taking a particular interest in equality of pay between male and female Professors.

### July 2017

The Committee reviewed the base salaries of members of the Vice-Chancellor's Executive Group, taking account of market data, affordability and performance.

### September 2017

The Committee reviewed the achievement of the institutional targets and personal objectives for members of the Vice-Chancellor's Executive Group which had been agreed for 2016/17. Taking account of these assessments, the Committee made decisions on the percentage of performance related reward which should be paid under the Executive Performance Reward Scheme to recognise the achievement of these institutional and personal objectives. The Committee also reviewed the achievement of the long-term performance targets for the three year period 2014 – 2017 and agreed what proportion should be paid.

To improve accountability, governance and transparency of its work the Committee reported in detail to Council at its meeting in October 2016.

### Summary of key decisions 2016/7

- Payments under the Executive Performance Reward Scheme in respect of institutional and personal performance in 2016/7:
  - o 6% for the achievement of institutional objectives
  - o average of 8.8% for the achievement of personal objectives
- Payment for the achievement of the long-term performance targets for the three year period 2014 – 2017. The Committee agreed to pay 5% rather than 10%.
- Setting of personal and institutional targets for 2017/18
- Revised arrangements for staff (including the Vice-Chancellor) who decide to opt out of the pension scheme (after taking independent financial advice) because they have reached the Lifetime Allowance.
- Agreement that members of VCEG should normally only be considered for pay progression every three years. Only one increase was agreed for 2017.

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

Details of the remuneration of the Vice-Chancellor is summarised in Note 7 of the Financial Statements. The remuneration received by the Vice-Chancellor in 2016/17 included a base salary of £315,000 and a performance award (under the Executive Performance Reward Scheme) of 15% (rather than 20%) in respect of institutional and personal performance in respect of 2016/17.

The Vice-Chancellor was eligible to receive a payment of £46,000 for the achievement of the long-term performance targets for the three year period 2014 – 2017. The Vice-Chancellor decided to waive this payment.

During the year, the Vice-Chancellor accrued 40 years of pensionable service in USS and, after taking independent financial advice, chose to cease making contributions.

The University has agreed to pay the Vice-Chancellor an allowance in lieu of employer pension contributions.

The University requires the Vice-Chancellor to occupy accommodation on the University campus. Since this accommodation is provided for the better performance of his duties, this is not treated as a benefit in kind.

The Vice-Chancellor's contract also includes performance-related rewards which will only be paid, at the discretion of the Committee, if the Vice-Chancellor achieves long-term performance targets and remains in post until the expiry of this contract in August 2020.

### Remuneration of other Senior Managers

Details of the total cost of Key Management Personnel (members of the Vice-Chancellor's Executive Group) in 2016/17 is summarised in note 7 of the Financial Statement.

The total remuneration of key management personnel for the year ended 31 July 2017 (15 posts) was £3,615k. This figure includes payments made in respect of the long-term performance targets for the three year period 2014 – 2017.

73% of the total cost of Key Management Personnel relates to the reward of academic managers (ie the Vice-Chancellor, Provost, Deputy Vice-Chancellors and Pro-Vice-Chancellors) and 27% relates to the reward of Professional Services managers (ie the Registrar and Secretary, the Deputy Registrar and Director of People Services and Global Partnerships, the Chief Financial Officer and the Director of Communications and Corporate Affairs.)

### Equality Issues

In 2016/17, there were 15 members of the Vice-Chancellor's Executive Group, of whom four (27%) were women.

The mean base salary of female members of VCEG is 0.8% higher than the mean base salary of male members, excluding the Vice-Chancellor.

### Richard Atkins

Chair of the Remuneration Committee



## 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 three times a year with an additional joint meeting with Council in May each year.

## 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, the Flexible Combined Honours Degree Board of Studies and Ethics Committee.

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)

## 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 an independent 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 independent members.

The table below shows the areas governed through dual assurance and the management and independent leads as at November 2017:

Business Area	Management Lead	Independent Lead
Finance and Investment	Chief Financial Officer	Alison Reed
Research	DVC (Research and Impact)	Sir John O'Reilly
Innovation and Business	DVC (External Engagement)	Graham Cole
Human Resources including Wellbeing	Director of People Services and Global Partnerships	Kiron Farooki
Equality and Diversity	DVC (External Engagement)	Kiron Farooki
Estates and Environmental Sustainability	Registrar and Secretary	Dr Sarah Buck
Information Technology	Registrar and Secretary	Richard Sargeant
Education	DVC (Education)	Richard Atkins
Global Advancement	Provost	Gerry Brown
Global Strategy	DVC (External Engagement)	Graham Cole
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)	Clare Marx
Arts and Culture	Pro Vice Chancellor and Executive Dean (Humanities)	Nicholas Bull



## 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. Senior Managers 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 includes the Provost, three Deputy Vice-Chancellors, Registrar and Secretary, Chief Financial Officer, the Director of Communications and Corporate Affairs, Director of People Services and Global Partnerships and the Chief College Operations Officer. Its membership consists of 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 these 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. The next review is due to take place in 2017/18.

## SYSTEM OF INTERNAL CONTROL

Council has responsibility for ensuring the maintenance of 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 2017 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, Council must assure itself of the effectiveness of the University's systems 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. 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.

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 of these key groups with regard to risk is supported by the Compliance, Governance and Risk Directorate.

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 risks 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.

The University uses 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 information about fundraising activities for the University and Exeter University Foundation (the Foundation).

The University of Exeter employs a team of professional fundraisers, as well as 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 requests 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 seeks to engage 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 contactable 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.

Neither the University nor any person acting on behalf of it was subject to an undertaking to be bound by any voluntary scheme for regulating fundraising, or any voluntary standard of fundraising, in respect of activities on behalf of the charity.

The University received no complaints about its fundraising activities for the year to 31 July 2017.



## RESPONSIBILITIES OF COUNCIL

The Council are responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Higher Education Funding Council for England's Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCE's Accounts Direction to higher education institutions. The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

Council is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council are also responsible under the Memorandum of Assurance and Accountability for:

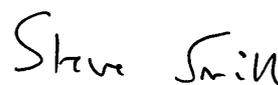
- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

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

The Corporate Governance Statement and Responsibilities of the Council of the University on pages 10 to 19 were approved by Council on 23 November 2017 and signed on its behalf by:



**S. Turvill**  
Chair of Council



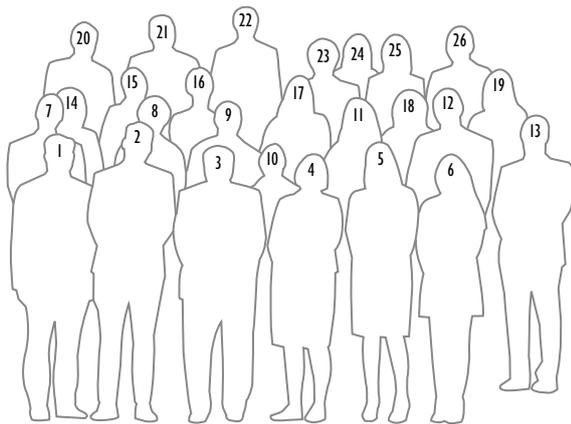
**Professor Sir S. Smith**  
Vice-Chancellor and Chief Executive

## MEMBERSHIP OF COUNCIL



### MEMBERS OF COUNCIL \*

From left to right



#### Front row:

- 1 Mike Shore-Nye
- 2 Dean Pomeroy
- 3 Professor Sir Steve Smith
- 4 Sarah Turvill
- 5 Professor Janice Kay
- 6 Shraddha Chaudhary

#### Second row:

- 7 Professor Mark Goodwin
- 8 Dr Barrie Cooper
- 9 Gerry Brown\*
- 10 Jacqui Marshall
- 11 Sally Turner
- 12 Professor Nick Talbot
- 13 Professor David Hosken

#### Third row:

- 14 Alison Reed\*
- 15 Kiron Farooki\*
- 16 Dr Sarah Buck OBE\*
- 17 Jo Binding\*
- 18 Tracey Costello
- 19 Jane Chafer

#### Top row

- 20 Andrew Connolly
- 21 Richard Atkins CBE\*
- 22 Sir John O'Reilly\*
- 23 Professor David Allan
- 24 Judy Hargadon OBE\*
- 25 Professor Wendy Robinson
- 26 Professor Tim Quine

#### Officers:

Sarah Turvill, Pro-Chancellor and Chair of Council  
 Dr Sarah Buck OBE, Pro-Chancellor  
 Richard Hughes, Pro-Chancellor (appointment ended 31 July 2017)  
 Richard Atkins CBE, Pro-Chancellor (appointed 1 August 2017)  
 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:

Jo Binding	Clare Marx CBE, DL, PRCS (appointment 1 August 2017)
Gerry Brown	Sir John O'Reilly
Nicholas Bull	Alison Reed
Graham Cole CBE	Richard Sargeant
(appointment 1 April 2017)	Professor Stephen Tomlinson CBE
Kiron Farooki	(appointment ended 31 July 2017)
Judy Hargadon OBE	

#### Members appointed by the Senate:

Dr Barrie Cooper	(appointment 1 August 2017)
Professor David Hosken	
Professor Tim Quine	(appointment ended 31 July 2017)
Professor Wendy Robinson	(appointment 1 August 2017)
Professor Michelle Ryan	(appointment ended 31 July 2017)

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

Sally Turner

#### Student Members:

Toby Gladwin	(appointed 1 August 2016)
	(appointment ended 31 July 2017)
Tom Murray-Richards	(appointed 23 February 2017)
	(appointment ended 31 July 2017)
Shraddha Chaudhary	(appointed 1 August 2017)
Dean Pomeroy	(appointed 1 August 2017)



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## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of University of Exeter ("the University") for the year ended 31 July 2017 which comprise the Group and University Statement of Comprehensive income, Group and University Statement of Changes in Reserves, Group and University Balance Sheets, Group Cash Flow Statement and related notes, including the statement of principal accounting policies.

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 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, 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 2016-17 financial statements.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## Other information

The Council is responsible for the other information, which comprises the Business Review and the Public Benefit Statement and the Corporate Governance and Statement of Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

## Council responsibilities

As explained more fully in their statement set out on page 19, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or 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; and
- 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.

## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Council, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them 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 University and the Council for our audit work, for this report, or for the opinions we have formed.

## Michael Rowley

for and on behalf of

## KPMG LLP, Statutory Auditor

*Chartered Accountants*

Plym House

Marsh Mills

Plymouth

PL6 8LT

November 2017

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### 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 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 2017, have been consolidated in the financial statements. Details of these subsidiaries are provided in note 16.

Jointly controlled entities 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 17.

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

### 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 13 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 ageing profile of debtors, our knowledge of individual debtors & our historical experience.

See note 18 for the net carrying amount.

#### 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, 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/liabilities. Assumptions used in the current financial year are detailed in note 30.

#### Pensions- USS

USS is a multi-employer scheme whereby the liabilities of the scheme cannot be separately attributable to individual Universities / employers. The liability has instead been calculated as the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

Assumptions used to calculate the scheme liability in the current financial year are detailed in note 30.

#### Provisions- Exeter Science Park Loan Guarantee

The University has recognised a provision in respect of the loan guarantee with Exeter Science Park Limited, based on the estimated liability as at the 31 October 2023, the date at which this liability would transfer to the University. Further details are included in note 29.

### CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE UNIVERSITY'S ACCOUNTING POLICIES

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

## 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 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 within income when the University is entitled to the funds, subject to any performance related conditions being met.

### 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 the restrictions,

at which point the income is released to general reserves through a reserve transfer. Donations without 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 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.

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 NCTL and subsequent disbursement to students are excluded from the income and expenditure account. Details are provided in note 33 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 Savings Scheme (ERSS). A third scheme, the University of Exeter Retirement Benefit Scheme (ERBS) closed during the year.

The USS is a defined benefit, 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 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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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. The fund is revalued every three years by professionally qualified independent actuaries.

ERSS is a new defined contribution scheme, which opened in December 2016. The University pays fixed contributions to the fund, which are recognised within staff costs.

ERBS, a defined benefit scheme, was closed to future accrual in November 2016. The Group's net obligation in respect of defined benefit pension plans is calculated 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 dedicated.

Further information on pension schemes and post-retirement benefits are disclosed in note 30.

### 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 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/amortisation and accumulated impairment losses. Land and buildings that had been revalued

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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 and intangible 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 / Amortisation

A full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal, with the exception of research equipment which is depreciated monthly on a straight line basis. All depreciation is calculated on a straight line basis as follows:

Freehold land	Not depreciated
Freehold buildings	Over their expected remaining useful lives, subject to a maximum of 50 years
Leasehold buildings	Over the shorter of the lease term and the expected useful lives, subject to a maximum of 50 years
Assets under construction	Not depreciated
Assets held for sale	Not depreciated
Infrastructure	Over their expected remaining useful lives, subject to a maximum of 50 years
Computer equipment and IT infrastructure	Over its expected useful life between four to eight years
Intangible Assets / Software	Over its expected useful life between three to five years
Other Equipment	Over its expected useful life between three to eight 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	20-25 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.

## FINANCIAL INSTRUMENTS

The provisions of both section 11 and 12 of FRS102 are applied in full. Basic financial instruments are held at amortised cost using the effective interest method or cost and are subject to an annual impairment review.

Complex financial instruments are held at fair value, with changes in the fair value taken directly to the Statement of Comprehensive Income, except where hedge accounting is applied.

## 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

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

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.



UNIVERSITY OF EXETER  
STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group		University	
		Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Tuition fees and education contracts	1	219,237	203,549	219,237	203,549
Funding body grants	2	44,019	46,261	44,019	46,261
Research grants and contracts	3	70,241	61,853	70,241	61,853
Other income	4	58,543	56,620	58,130	56,326
Investment income	5	1,161	1,233	1,176	1,239
Endowments and donations	6	3,855	1,600	6,106	2,321
<b>Total income</b>		<b>397,056</b>	<b>371,116</b>	<b>398,909</b>	<b>371,549</b>
<b>EXPENDITURE</b>					
Staff costs	7	206,346	185,537	206,304	185,470
Staff costs – movement on pension provisions	7	45	(1,267)	45	(1,267)
Operating expenses	8	131,837	124,949	131,484	124,451
Depreciation	9	38,520	37,869	38,520	37,869
Impairment	9	2,830	-	2,830	-
Interest and other finance costs	10	10,093	11,091	10,093	11,091
<b>Total expenditure</b>		<b>389,671</b>	<b>358,179</b>	<b>389,276</b>	<b>357,614</b>
<b>Surplus before other gains/(losses) and share of operating surplus in joint ventures</b>		<b>7,385</b>	<b>12,937</b>	<b>9,633</b>	<b>13,935</b>
Gain/(Loss) on investments	16	2,821	(63)	2,821	(63)
Share of operating surplus in joint venture	17	1,117	1,650	-	-
Curtailment gain on defined benefit pension scheme	30	6,884	-	6,884	-
<b>Surplus before tax</b>		<b>18,207</b>	<b>14,524</b>	<b>19,338</b>	<b>13,872</b>
Taxation	11	-	(14)	-	(14)
<b>Surplus for the year</b>		<b>18,207</b>	<b>14,510</b>	<b>19,338</b>	<b>13,858</b>
Actuarial gain/(loss) in respect of pension schemes	30	2,076	(3,739)	1,160	(2,282)
Change in fair value of financial instruments	23	13,485	(19,875)	13,496	(19,870)
<b>Total comprehensive income/(expenditure)</b>		<b>33,768</b>	<b>(9,104)</b>	<b>33,994</b>	<b>(8,294)</b>
<b>Represented by:</b>					
Endowment comprehensive income/(expenditure) for the year	24/25	4,648	(664)	4,648	(664)
Restricted comprehensive income/(expenditure) for the year		7	23	7	23
Unrestricted comprehensive income/(expenditure) for the year	26	29,476	(8,128)	29,337	(7,578)
Revaluation reserve comprehensive (expenditure)/income for the year	27	(363)	(335)	2	(75)
		<b>33,768</b>	<b>(9,104)</b>	<b>33,994</b>	<b>(8,294)</b>

All items of income and expenditure relate to continuing activities

UNIVERSITY OF EXETER  
STATEMENT OF CHANGES IN RESERVES

Group	Endowment Reserve £'000	Restricted Income and Expenditure £'000	Unrestricted Income and Expenditure £'000	Revaluation Reserve £'000	Total £'000
<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)	23	15,226	(75)	<b>14,510</b>
Other comprehensive income	-	-	(23,614)	-	<b>(23,614)</b>
Transfers between revaluation and income and expenditure reserve	-	-	260	(260)	-
<b>Total comprehensive income</b>	<b>(664)</b>	<b>23</b>	<b>(8,128)</b>	<b>(335)</b>	<b>(9,104)</b>
<b>Balance at 1 August 2016</b>	<b>32,533</b>	<b>23</b>	<b>421,210</b>	<b>21,755</b>	<b>475,521</b>
Surplus/(deficit) from the income and expenditure statement	4,648	7	13,550	2	<b>18,207</b>
Other comprehensive income	-	-	15,561	-	<b>15,561</b>
Transfers between revaluation and income and expenditure reserve	-	-	365	(365)	-
<b>Total comprehensive income</b>	<b>4,648</b>	<b>7</b>	<b>29,476</b>	<b>(363)</b>	<b>33,768</b>
<b>Balance at 31 July 2017</b>	<b>37,181</b>	<b>30</b>	<b>450,686</b>	<b>21,392</b>	<b>509,289</b>

University	Endowment Reserve £'000	Restricted Income and Expenditure £'000	Unrestricted Income and Expenditure £'000	Revaluation Reserve £'000	Total £'000
<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)	23	14,574	(75)	<b>13,858</b>
Other comprehensive income	-	-	(22,152)	-	<b>(22,152)</b>
Transfers between revaluation and income and expenditure reserve	-	-	-	-	-
<b>Total comprehensive income</b>	<b>(664)</b>	<b>23</b>	<b>(7,578)</b>	<b>(75)</b>	<b>(8,294)</b>
<b>Balance at 1 August 2016</b>	<b>32,533</b>	<b>23</b>	<b>423,075</b>	<b>7,157</b>	<b>462,788</b>
Surplus/(deficit) from the income and expenditure statement	4,648	7	14,681	2	<b>19,338</b>
Other comprehensive income	-	-	14,656	-	<b>14,656</b>
Transfers between revaluation and income and expenditure reserve	-	-	-	-	-
<b>Total comprehensive income</b>	<b>4,648</b>	<b>7</b>	<b>29,337</b>	<b>2</b>	<b>33,994</b>
<b>Balance at 31 July 2017</b>	<b>37,181</b>	<b>30</b>	<b>452,412</b>	<b>7,159</b>	<b>496,782</b>

# UNIVERSITY OF EXETER BALANCE SHEETS

	Notes	Group		University	
		Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
<b>Non-current assets</b>					
Intangible assets	12	5,541	3,759	5,541	3,759
Tangible fixed assets	13	692,834	692,934	692,527	690,698
Heritage assets	14	7,244	7,244	7,244	7,244
Investments	16	44,952	42,039	45,462	44,478
Investment in joint venture	17	12,823	13,050	-	-
		<b>763,394</b>	<b>759,026</b>	<b>750,774</b>	<b>746,179</b>
<b>Current assets</b>					
Stock		487	484	487	484
Receivables falling due within one year	18	27,720	27,150	27,865	27,514
Receivables falling due after one year	18	16,059	16,192	16,059	16,192
Investments	19	59,286	69,818	59,286	69,818
Cash and cash equivalents		68,024	49,874	67,530	49,398
		<b>171,576</b>	<b>163,518</b>	<b>171,227</b>	<b>163,406</b>
Less: Creditors: amounts falling due within one year	20	(108,318)	(101,248)	(107,960)	(101,080)
<b>Net current assets</b>		<b>63,258</b>	<b>62,270</b>	<b>63,267</b>	<b>62,326</b>
<b>Total assets less current liabilities</b>		<b>826,652</b>	<b>821,296</b>	<b>814,041</b>	<b>808,505</b>
Creditors: amounts falling due after more than one year	21	(246,669)	(268,456)	(246,565)	(268,398)
<b>Provisions</b>					
Pension provisions	31	(68,294)	(74,719)	(68,294)	(74,719)
Other provisions	31	(2,400)	(2,600)	(2,400)	(2,600)
<b>Total net assets</b>		<b>509,289</b>	<b>475,521</b>	<b>496,782</b>	<b>462,788</b>
<b>Restricted Reserves</b>					
Endowment reserve	24/25	37,181	32,533	37,181	32,533
Income and expenditure reserve		30	23	30	23
<b>Unrestricted Reserves</b>					
Income and expenditure reserve	26	450,686	421,210	452,412	423,075
Revaluation reserve	27	21,392	21,755	7,159	7,157
<b>Total Reserves</b>		<b>509,289</b>	<b>475,521</b>	<b>496,782</b>	<b>462,788</b>

The financial statements on pages 29 to 66 were approved by Council on 23 November 2017 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 2017	Year Ended 31 July 2016
	Notes	£'000	£'000
<b>Cash flow from operating activities</b>			
Surplus for the year		<b>18,207</b>	<b>14,510</b>
<b>Adjustment for non-cash items</b>			
Depreciation	13	<b>40,373</b>	37,112
Amortisation of intangibles	12	<b>977</b>	757
(Gain)/Loss on investments	16	<b>(2,821)</b>	63
(Increase) in stock		<b>(3)</b>	(70)
(Increase)/Decrease in debtors		<b>(654)</b>	5,648
Increase in creditors		<b>5,048</b>	7,158
(Decrease)/Increase in pension provision	31	<b>(5,285)</b>	2,235
(Decrease)/Increase in other provisions		<b>(200)</b>	2,600
Share of operating surplus in joint ventures		<b>(1,117)</b>	(1,650)
<b>Adjustment for investing and financing activities</b>			
Investment income		<b>(1,161)</b>	(336)
Interest and other finance costs	10	<b>10,093</b>	11,091
New endowments	6	<b>(3,643)</b>	(1,217)
Loss on the sale of fixed assets		<b>270</b>	117
Capital grant receipts		<b>(5,076)</b>	(8,782)
<b>Net cash inflow from operating activities</b>		<b>55,008</b>	<b>69,236</b>
<b>Cash flow from investing activities</b>			
Disposal of non-current asset investments		<b>131</b>	(128)
Investment income		<b>2,992</b>	723
Capital grants receipts		<b>5,076</b>	8,782
Withdrawal of deposits		<b>10,532</b>	(18,214)
New non-current asset investments		<b>(4)</b>	-
Payments made to acquire fixed assets		<b>(27,647)</b>	(32,431)
Payments made to acquire intangible assets		<b>(1,698)</b>	(1,667)
<b>Net cash outflow from investing activities</b>		<b>(10,618)</b>	<b>(42,935)</b>
<b>Cash flow from financing activities</b>			
Interest and other finance costs		<b>(9,876)</b>	(11,208)
New endowments		<b>3,643</b>	1,217
Repayments of amounts borrowed		<b>(6,674)</b>	(3,887)
Capital element of finance lease and Service concession payments		<b>(13,333)</b>	(13,237)
<b>Net cash outflow from financing activities</b>		<b>(26,240)</b>	<b>(27,115)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>18,150</b>	<b>(814)</b>
Cash and cash equivalents at beginning of the year		<b>49,874</b>	50,688
Cash and cash equivalents at end of the year		<b>68,024</b>	49,874

## NOTES TO THE ACCOUNTS

### NOTE 1 TUITION FEES AND EDUCATION CONTRACTS

	Group		University	
	Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000	£'000	£'000
Full-time home and EU students	144,197	134,488	144,197	134,488
Full-time international students	62,346	57,992	62,346	57,992
Part-time home and EU students	2,563	3,118	2,563	3,118
Part-time international students	671	707	671	707
Research Training Support Grant	7,110	5,726	7,110	5,726
Non-credit bearing course fees and other tuition fees	2,350	1,518	2,350	1,518
	<b>219,237</b>	<b>203,549</b>	<b>219,237</b>	<b>203,549</b>

### NOTE 2 FUNDING BODY GRANTS

	Group		University	
	Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000	£'000	£'000
<b>Recurrent Grant</b>				
HEFCE Teaching grant	12,469	11,115	12,469	11,115
HEFCE Research grant	23,229	22,929	23,229	22,929
<b>Specific Grants</b>				
HEFCE Capital grants	4,574	8,135	4,574	8,135
Higher Education Innovation Fund	3,105	2,895	3,105	2,895
HEFCE Other grants	142	683	142	683
Teach First	500	504	500	504
	<b>44,019</b>	<b>46,261</b>	<b>44,019</b>	<b>46,261</b>

### NOTE 3 RESEARCH INCOME

	Group		University	
	Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000	£'000	£'000
Research Councils	29,112	24,664	29,112	24,664
UK Research Charities	7,876	6,765	7,876	6,765
UK Central Government, local authorities and health authorities	11,763	13,193	11,763	13,193
UK Industry and commerce	3,016	2,628	3,016	2,628
European Union government	14,098	11,824	14,098	11,824
European Union industry / other bodies	92	128	92	128
Other	4,284	2,651	4,284	2,651
<b>Total Research Income</b>	<b>70,241</b>	<b>61,853</b>	<b>70,241</b>	<b>61,853</b>

## NOTES TO THE ACCOUNTS

### NOTE 4 OTHER INCOME

	Group		University	
	Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000	£'000	£'000
Residences, catering and conferences	25,090	24,777	24,934	24,572
Service concession arrangement income (note 15)	13,115	13,138	13,115	13,138
Other revenue grants	826	761	826	761
Other capital grants	503	648	503	648
Other services rendered	2,289	2,827	1,416	1,682
Income from health authorities and trusts	4,748	3,113	4,748	3,113
Sports and swimming pool income	2,335	2,430	2,335	2,430
Summer Schools, fair and degree day income	330	310	330	310
ERASMUS income	1,218	947	1,218	947
Rental income and room hire	886	636	128	48
Externally charged staff time	1,740	2,143	2,282	2,686
Supplies and services to external customers	1,709	779	2,605	1,957
Library and IT related income	123	98	123	98
Family centre fees	500	475	500	475
Other income	3,131	3,538	3,067	3,461
	<b>58,543</b>	<b>56,620</b>	<b>58,130</b>	<b>56,326</b>

### NOTE 5 INVESTMENT INCOME

	Note	Group		University	
		Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
		£'000	£'000	£'000	£'000
Investment income on expendable endowments	25	116	100	116	100
Investment income on permanent endowments	24	307	249	307	249
Other investment income		738	884	753	890
		<b>1,161</b>	<b>1,233</b>	<b>1,176</b>	<b>1,239</b>

### NOTE 6 ENDOWMENTS AND DONATIONS

	Note	Group		University	
		Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
		£'000	£'000	£'000	£'000
New expendable endowments	25	2,237	1,217	2,237	1,217
New permanent unrestricted endowments	24	1,405	26	1,405	25
Restricted donations		7	24	7	24
Unrestricted donations		206	333	2,457	1,055
		<b>3,855</b>	<b>1,600</b>	<b>6,106</b>	<b>2,321</b>

## NOTES TO THE ACCOUNTS

### NOTE 7 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 2017 Number</b>	Year Ended 31 July 2016 Number
Academic	<b>1,306</b>	1,211
Research	<b>669</b>	605
Professional Services	<b>2,440</b>	2,296
<b>Total</b>	<b><u>4,415</u></b>	<b><u>4,112</u></b>

#### Staff costs for the above persons:

	<b>Note</b>	<b>Year Ended 31 July 2017 £'000</b>	Year Ended 31 July 2016 £'000
Salaries		<b>164,345</b>	150,492
Employer taxes		<b>15,437</b>	11,962
Pension contributions	30	<b>26,564</b>	23,083
<b>Direct staff costs</b>		<b>206,346</b>	<b>185,537</b>
Movement on ERBS pension provision		<b>(1,183)</b>	(167)
Movement on USS pension provision		<b>1,228</b>	(1,100)
<b>Total staff costs</b>		<b><u>206,391</u></b>	<b><u>184,270</u></b>

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

	<b>Year Ended 31 July 2017 £'000</b>	Year Ended 31 July 2016 £'000
Salary	<b>315</b>	315
Benefit in kind	<b>-</b>	-
Performance related remuneration	<b>47</b>	57
Additional pay in lieu of pension contributions	<b>47</b>	-
Sub-total excluding pension contributions	<b>409</b>	372
Pension contributions to USS	<b>15</b>	54
<b>Total emoluments</b>	<b><u>424</u></b>	<b><u>426</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 13.

#### 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 employer's contributions to the current service cost of the pension schemes was £3,615k for 15 posts for the year ended 31 July 2017 (£3,126k for 15 posts to 31 July 2016). The 2016/17 figure includes payments made under long term incentive schemes. No severance payments were made during the year.

## NOTES TO THE ACCOUNTS

### NOTE 7 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:

	<b>Year Ended 31 July 2017 Number</b>	Year Ended 31 July 2016 Number
£100,000 to £109,999	47	26
£110,000 to £119,999	22	23
£120,000 to £129,999	14	10
£130,000 to £139,999	6	7
£140,000 to £149,999	3	4
£150,000 to £159,999	4	5
£160,000 to £169,999	3	-
£170,000 to £179,999	2	3
£180,000 to £189,999	1	3
£190,000 to £199,999	1	2
£200,000 to £209,999	3	-
£210,000 to £219,999	3	-
£220,000 to £229,999	2	1
£240,000 to £249,999	2	1
£250,000 to £259,999	1	-
£260,000 to £269,999	1	1
£320,000 to £329,999	-	1
	<hr/> <b>115</b> <hr/>	<hr/> <b>87</b> <hr/>

This table excludes the Vice-Chancellor's remuneration, which is detailed on page 35. Included within the above table for the year ended 31 July 2017 are payments made under the 2014-2017 long term incentive scheme.

#### 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 32.

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 £9,502 for 11 trustees (2016: £11,445 for 10 trustees). An additional £27,844 was paid directly by the University for travel, accommodation and subsistence for Council members.

## NOTES TO THE ACCOUNTS

### NOTE 8 OTHER OPERATING EXPENSES

	<b>Group</b>		<b>University</b>	
	<b>Year Ended 31 July 2017</b>	Year Ended 31 July 2016	<b>Year Ended 31 July 2017</b>	Year Ended 31 July 2016
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Residences, catering and conferences	<b>10,078</b>	10,042	<b>10,089</b>	9,945
Rents and rates	<b>1,258</b>	1,186	<b>1,262</b>	1,199
Light, heat, power and water	<b>5,192</b>	4,658	<b>5,158</b>	4,568
Repairs and general maintenance	<b>10,857</b>	10,830	<b>10,728</b>	10,646
Research	<b>18,718</b>	15,754	<b>18,718</b>	15,754
Sport	<b>1,679</b>	1,625	<b>1,679</b>	1,625
Penryn Campus costs	<b>5,553</b>	4,785	<b>5,553</b>	4,785
Laboratory equipment and consumables	<b>3,865</b>	2,806	<b>3,865</b>	2,806
IT hardware, software and licences	<b>2,696</b>	2,404	<b>2,635</b>	2,393
Other equipment (including loss on disposal of equipment)	<b>6,978</b>	6,984	<b>6,975</b>	6,980
Books and periodicals	<b>5,659</b>	5,576	<b>5,659</b>	5,576
Agency, seconded staff and staff support costs	<b>6,914</b>	6,162	<b>6,915</b>	6,162
Publicity, publications and student recruitment	<b>5,388</b>	4,476	<b>5,372</b>	4,467
Travel and subsistence	<b>10,703</b>	9,439	<b>10,697</b>	9,420
Scholarships, prizes and student support	<b>26,367</b>	26,917	<b>26,297</b>	26,839
Auditors remuneration	<b>65</b>	61	<b>58</b>	57
Auditors remuneration in respect of non-audit services	<b>21</b>	68	<b>19</b>	67
Other expenses	<b>9,846</b>	11,176	<b>9,805</b>	11,162
	<b><u>131,837</u></b>	<b><u>124,949</u></b>	<b><u>131,484</u></b>	<b><u>124,451</u></b>
Included within other operating expenses are:				
Internal audit costs (within other expenses)	<b>99</b>	90	<b>99</b>	90
External audit costs (within Auditors remuneration)	<b>65</b>	61	<b>58</b>	57
Operating lease expenses	<b>941</b>	1,031	<b>941</b>	1,031



## NOTES TO THE ACCOUNTS

### NOTE 9 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

Group	Staff Costs £'000	Other Operating Expenses £'000	Depreciation/ Amortisation £'000	Interest Payable £'000	2017 Total £'000	2016 Total £'000
Academic colleges	96,721	22,482	2,032	-	<b>121,235</b>	106,757
Academic services	14,951	13,256	3,180	-	<b>31,387</b>	31,708
Administration and central services	47,365	46,043	184	-	<b>93,592</b>	88,502
Premises	9,034	21,264	21,703	8,519	<b>60,520</b>	55,970
Residences, catering and conferences	6,926	10,078	13,132	-	<b>30,136</b>	29,890
Research grants and contracts	31,349	18,714	1,119	-	<b>51,182</b>	44,252
Pension adjustment	45	-	-	1,574	<b>1,619</b>	1,100
	<b>206,391</b>	<b>131,837</b>	<b>41,350</b>	<b>10,093</b>	<b>389,671</b>	<b>358,179</b>

The depreciation charge above includes £2,830k of impairment of student residences which will be demolished and rebuilt during 2017/18.

The prior year has been restated to reflect changes in organisation structures.

### NOTE 10 INTEREST AND OTHER FINANCE COSTS

Group and University	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Loan interest	<b>8,519</b>	8,730
Net charge on pension schemes	<b>1,574</b>	2,361
	<b>10,093</b>	<b>11,091</b>

### NOTE 11 TAXATION

Group and University	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Taxation deducted from Research and Development Expenditure Credit (RDEC)	<b>-</b>	14

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 12 INTANGIBLE ASSETS

Group and University	Software £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
As at 1 August 2016	7,554	1,497	9,051
Additions	12	1,686	1,698
Disposals	-	-	-
Transfers	1,061	-	1,061
<b>As at 31 July 2017</b>	<b>8,627</b>	<b>3,183</b>	<b>11,810</b>
<b>Depreciation</b>			
As at 1 August 2016	5,292	-	5,292
Charge for the year	977	-	977
Written back on revaluation	-	-	-
Disposals	-	-	-
<b>As at 31 July 2017</b>	<b>6,269</b>	<b>-</b>	<b>6,269</b>
<b>Net Book Value</b>			
<b>At 31 July 2017</b>	<b>2,358</b>	<b>3,183</b>	<b>5,541</b>
At 31 July 2016	2,262	1,497	3,759

### NOTE 13 TANGIBLE FIXED ASSETS

Group	Land and buildings Freehold	Land and buildings Long Leasehold	Service concession arrangement (Note 15)	Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Deemed Cost</b>						
At 1 August 2016	555,042	89,348	13,115	67,226	55,653	780,384
Additions	-	-	13,754	2,347	25,409	41,510
Transfers	53,255	969	-	3,665	(59,060)	(1,171)
Disposals	-	-	(13,115)	(501)	(260)	(13,876)
Transfer from Investment Property	204	-	-	-	-	204
<b>At 31 July 2017</b>	<b>608,501</b>	<b>90,317</b>	<b>13,754</b>	<b>72,737</b>	<b>21,742</b>	<b>807,051</b>
<b>Depreciation</b>						
At 1 August 2016	35,776	4,694	-	46,980	-	87,450
Charge for the year	15,656	2,783	13,115	5,989	-	37,543
Impairment – Historic Cost	2,830	-	-	-	-	2,830
Disposals	-	-	(13,115)	(491)	-	(13,606)
<b>At 31 July 2017</b>	<b>54,262</b>	<b>7,477</b>	<b>-</b>	<b>52,478</b>	<b>-</b>	<b>114,217</b>
<b>Net book value</b>						
<b>At 31 July 2017</b>	<b>554,239</b>	<b>82,840</b>	<b>13,754</b>	<b>20,259</b>	<b>21,742</b>	<b>692,834</b>
At 31 July 2016	519,266	84,654	13,115	20,246	55,653	692,934

## NOTES TO THE ACCOUNTS

### NOTE 13 TANGIBLE FIXED ASSETS (Continued)

University	Land and buildings		Service concession arrangement (Note 15)	Equipment	Assets under construction	Total
	Freehold	Long Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Deemed Cost</b>						
At 1 August 2016	552,806	89,348	13,115	66,964	55,653	777,886
Additions	-	-	13,754	2,347	25,409	41,510
Transfers	53,255	969	-	3,665	(59,060)	(1,171)
Disposals	-	-	(13,115)	(501)	(260)	(13,876)
Transfers from Investment Property	2,133	-	-	-	-	2,133
<b>At 31 July 2017</b>	<b>608,194</b>	<b>90,317</b>	<b>13,754</b>	<b>72,475</b>	<b>21,742</b>	<b>806,482</b>
<b>Depreciation</b>						
At 1 August 2016	35,776	4,694	-	46,718	-	87,188
Charge for the year	15,656	2,783	13,115	5,989	-	37,543
Impairment – Historic Cost	2,830	-	-	-	-	2,830
Disposals	-	-	(13,115)	(491)	-	(13,606)
<b>At 31 July 2017</b>	<b>54,262</b>	<b>7,477</b>	<b>-</b>	<b>52,216</b>	<b>-</b>	<b>113,955</b>
<b>Net book value</b>						
<b>At 31 July 2017</b>	<b>553,932</b>	<b>82,840</b>	<b>13,754</b>	<b>20,259</b>	<b>21,742</b>	<b>692,527</b>
At 31 July 2016	517,030	84,654	13,115	20,246	55,653	690,698

- a) At 31 July 2017, freehold land and buildings included £83.8m (2016: £83.8m) in respect of freehold land which is not depreciated.
- b) Included in the cost of freehold land and buildings is £1.1m (2016: £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) Upon transition to FRS102 tangible fixed assets were 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. No further revaluations of tangible fixed assets will occur, with the exception of investment properties (note 16) and heritage assets (note 14)
- d) Long leasehold land and buildings comprise the University owned buildings on the Penryn Campus, which were acquired under a 125 lease (112 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 13 TANGIBLE FIXED ASSETS (Continued)

A finance lease liability and the equivalent prepayment have been included on the balance sheet in relation to the RILD buildings on the following basis:

	Note	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Debtors: Amounts falling due within one year	18	133	133
Debtors: Amounts falling due after more than one year	18	16,059	16,192
Creditors: Amounts falling due within one year	20	(133)	(134)
Creditors: Amounts falling due after more than one year	21	(16,059)	(16,192)

Of the amounts falling due after more than one year, £133k is due within one to two years, £399k is due within two to five years, and £15,527k is due after more than five years.

### NOTE 14 HERITAGE ASSETS

Group and University	Special Collections £'000	Fine Art Collection £'000	Total £'000
<b>Cost/Valuation</b>			
As at 1 August 2016	4,294	2,950	7,244
Additions	-	-	-
Disposals	-	-	-
Revaluation	-	-	-
<b>As at 31 July 2017</b>	<b>4,294</b>	<b>2,950</b>	<b>7,244</b>

#### History of heritage assets

Year-ended 31 July	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Acquisition of heritage assets	-	108	-	-	-
Donated heritage assets	-	40	-	-	-
Revaluation of collections	-	75	-	2,586	-

#### 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 2017 by external Fine Art Auctioneers and Valuers, Messrs. Bearn's Hampton and Littlewood, on an open market value basis.

**NOTE 14 HERITAGE ASSETS (Continued)****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 15 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 2017 is £13.7m (31 July 2016: £13.1m).

**Service Concession Arrangement liabilities**

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2017 were £13.7m (31 July 2016 £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	13,731
Finance charge	-
Service charge	23
	<u><b>13,754</b></u>

**NOTE 16 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 2017 £'000</b>	Total 2016 £'000
<b>Group</b>						
<b>At 1 August</b>	<b>31,595</b>	<b>10,389</b>	-	<b>55</b>	<b>42,039</b>	<b>41,895</b>
Investment income	424	-	-	-	<b>424</b>	349
Fees	(128)	-	-	-	<b>(128)</b>	(142)
Transfer to Tangible Fixed Assets		(204)	-	-	<b>(204)</b>	
Gain/(Impairment)	2,821	-	-	-	<b>2,821</b>	(63)
	3,117	(204)	-	-	<b>2,913</b>	144
<b>At 31 July</b>	<b>34,712</b>	<b>10,185</b>	-	<b>55</b>	<b>44,952</b>	<b>42,039</b>
<b>University</b>						
<b>At 1 August</b>	<b>31,595</b>	<b>12,626</b>	<b>210</b>	<b>47</b>	<b>44,478</b>	<b>44,334</b>
Investment income	424	-	-	-	<b>424</b>	349
Fees	(128)	-	-	-	<b>(128)</b>	(142)
Transfer to Tangible Fixed Assets		(2,133)	-	-	<b>(2,133)</b>	
Gain/(Impairment)	2,821	-	-	-	<b>2,821</b>	(63)
	3,117	(2,133)	-	-	<b>984</b>	144
<b>At 31 July</b>	<b>34,712</b>	<b>10,493</b>	<b>210</b>	<b>47</b>	<b>45,462</b>	<b>44,478</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 24 and 25.

**Investment Property**

The University holds investment property where buildings are held for their external rental income. Where premises are occupied by subsidiary companies, these assets are not included as investment property at a consolidated level and are instead included within tangible fixed assets (note 13).

**NOTE 16 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
Living Systems Technology Ltd	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 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
Biosystems Technology Limited	270 Ordinary £0.50 shares
ChocEdge Limited	10 Ordinary £1 shares
Cotton Mouton Diagnostics Limited	132,800 Ordinary £0.01 shares
Disigi Limited	12 Ordinary £1 shares
Full Scales Dynamics Limited	1,600 Ordinary £1 shares
Health Behaviour Limited	Limited by Guarantee
Industrial Tomography Systems Plc	249,564 Ordinary £0.01 shares
Isca Diagnostics Limited	2,500 Ordinary £1 shares
Myco Sciences Limited	50 Ordinary £1 shares
One Health Ventures Limited	500,050 Ordinary £0.01 shares
SEAMS (Global) Limited	161 Ordinary £1 shares and 405 fully paid Deferred £1 shares
TTL Holdings Limited	1,583 Ordinary £1 shares
Trireme Systems Limited	59,220 Ordinary £1 shares

These are all minority shareholdings whereby the University does not have significant influence or control over the companies.

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 29.

**NOTE 17 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 jointly controlled entities 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 2017 £'000</b>	Year Ended 31 July 2016 £'000
Share of operating surplus	FX+	<b>370</b>	265
	INTO	<b>747</b>	1,385
		<b>1,117</b>	<b>1,650</b>
Share of total comprehensive income	FX+	<b>1,275</b>	(1,197)
	INTO	<b>747</b>	1,385
		<b>2,022</b>	<b>188</b>
Share of gross assets	FX+	<b>45,234</b>	45,465
	INTO	<b>8,347</b>	8,152
		<b>53,581</b>	<b>53,617</b>
Share of gross liabilities	FX+	<b>(32,329)</b>	(33,837)
	INTO	<b>(8,429)</b>	(6,730)
		<b>(40,758)</b>	<b>(40,567)</b>
Share of net assets	FX+	<b>12,905</b>	11,628
	INTO	<b>(82)</b>	1,422
		<b>12,823</b>	<b>13,050</b>

## NOTES TO THE ACCOUNTS

### NOTE 18 TRADE AND OTHER RECEIVABLES

	Group		University	
	Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Accrued research grant income	14,986	10,366	14,986	10,366
Prepayments	4,478	4,747	4,252	4,411
Other receivables	8,101	12,013	8,452	12,371
Amounts due from subsidiary companies	135	4	155	346
Amounts due from group undertakings	20	20	20	20
	<b>27,720</b>	27,150	<b>27,865</b>	27,514
<b>Amounts falling due after one year</b>				
Finance lease prepayment	<b>16,059</b>	16,192	<b>16,059</b>	16,192

### NOTE 19 CURRENT ASSET INVESTMENTS

	Group		University	
	Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000	£'000	£'000
Short term deposits	17,073	15,530	17,073	15,530
Other short term investments	42,213	54,288	42,213	54,288
	<b>59,286</b>	<b>69,818</b>	<b>59,286</b>	<b>69,818</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 2017 the weighted average interest rate of these fixed rate deposits was 0.90% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 163 days.

Other short term investments are money market funds, certificates of deposit, floating rate notes and corporate bonds with greater than three months maturity but less than 12 months at the balance sheet date.

### NOTE 20 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000	£'000	£'000
Bank loans	7,553	6,448	7,553	6,448
Other payables	18,696	16,088	18,665	16,090
Obligations under finance leases	133	134	133	134
Trade payables	14,172	13,989	14,065	13,975
Service Concession Arrangement	13,754	13,115	13,754	13,115
Social security and other taxation payable	4,979	4,331	4,979	4,331
Accruals and deferred income	13,334	15,111	13,114	14,955
Research grants received on account	35,697	32,032	35,697	32,032
	<b>108,318</b>	<b>101,248</b>	<b>107,960</b>	<b>101,080</b>

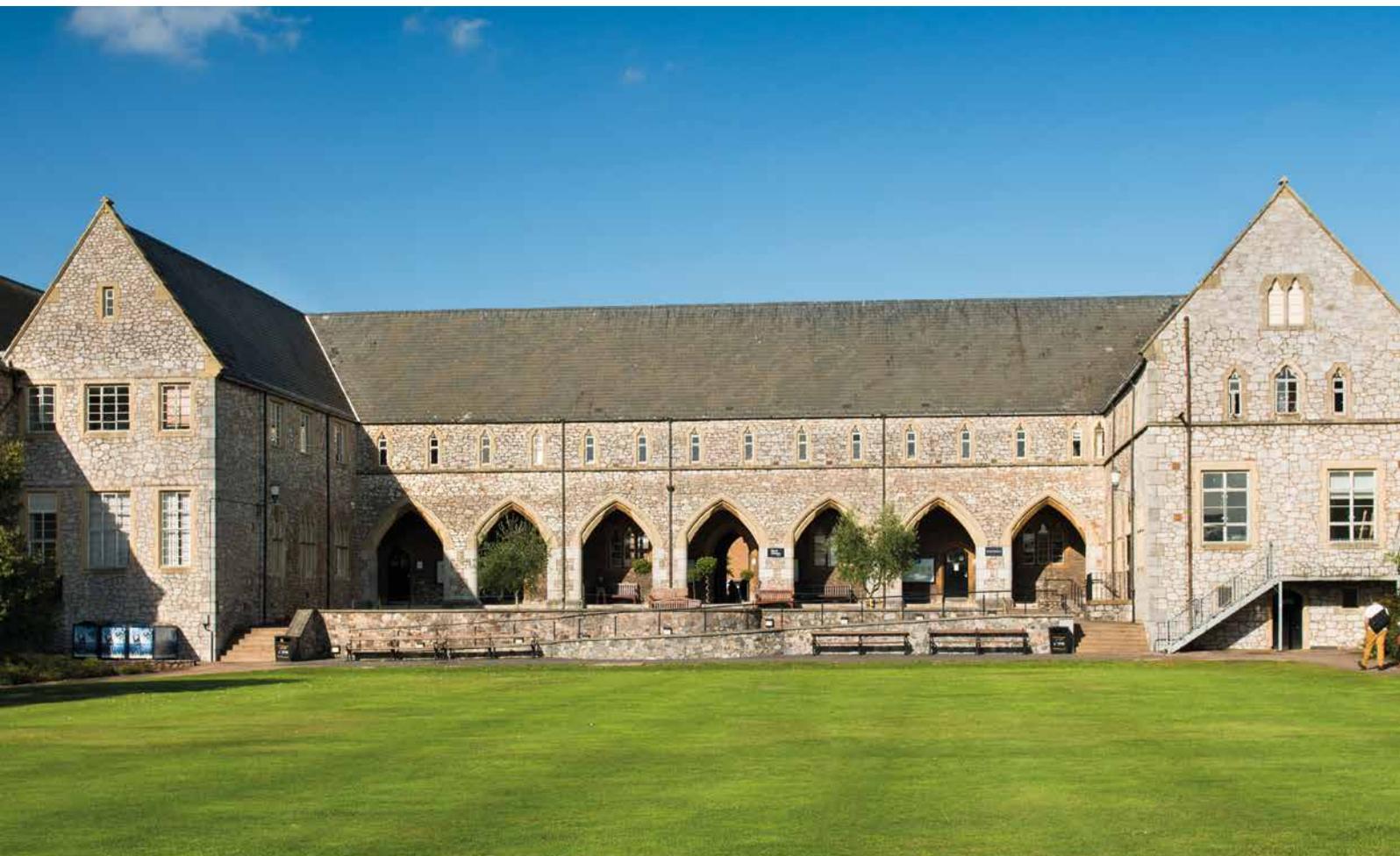
## NOTES TO THE ACCOUNTS

### NOTE 21 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		University	
	Year Ended 31 July 2017	Year Ended 31 July 2016	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000	£'000	£'000
Bank loans	181,264	188,817	181,264	188,817
Obligations under finance lease	16,059	16,192	16,059	16,192
Obligations under interest rate swap contracts	45,884	59,380	45,884	59,380
Other creditors	3,462	4,067	3,358	4,009
	<b>246,669</b>	<b>268,456</b>	<b>246,565</b>	<b>268,398</b>

#### Analysis of bank loans Group and University

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£'000	£'000
Due within one year (note 22)	7,553	6,448
Due within one and two years	8,243	7,553
Due within two and five years	24,729	24,729
Due in five or more years	148,292	156,535
<b>Total secured and unsecured loans</b>	<b>188,817</b>	<b>195,265</b>



## NOTES TO THE ACCOUNTS

### NOTE 21 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

Included within the total balance above is the following:

	Facility	Interest Rate %	Repayment	Term	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
<b>National Westminster Bank Plc</b>	100,000	4.79	Quarterly	To 2043	<b>72,107</b>	74,906
<b>Barclays Bank Plc</b>	65,000	4.62	Quarterly	To 2043	<b>49,335</b>	50,359
<b>European Investment Bank</b>	70,000	3.69	Quarterly	To 2036	<b>67,375</b>	70,000
					<b>188,817</b>	<b>195,265</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 2017, the University had £25m (2016: £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 23.

### NOTE 22 ANALYSIS OF CHANGES IN NET DEBT

Group	At 1 August 2016 £'000	Cash flow in year £'000	Change in creditor £'000	At 31 July 2017 £'000
Cash and cash equivalents	49,874	18,150	-	<b>68,024</b>
Current asset investments	69,818	(10,532)	-	<b>59,286</b>
	<u>119,692</u>	<u>7,618</u>	<u>-</u>	<u><b>127,310</b></u>
Bank loan and borrowings				
Due within 1 year	(6,448)		(1,105)	<b>(7,553)</b>
Due after 1 year	(188,817)	6,448	1,105	<b>(181,264)</b>
Other borrowings	(654)	294	-	<b>(360)</b>
	<u>(195,919)</u>	<u>6,742</u>	<u>-</u>	<u><b>(189,177)</b></u>
	<b>(76,227)</b>	<b>14,360</b>	<b>-</b>	<b>(61,867)</b>



## NOTE 23 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 23 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 interest rate swaps.

<b>University</b>	<b>2017</b>	2016
	<b>£'000</b>	£'000
Fair value of swap liability at 1 August	<b>59,380</b>	39,510
(Decrease)/Increase in fair value	<b>(13,496)</b>	19,870
Fair value of swap liability at 31 July	<b><u>(45,884)</u></b>	<b><u>59,380</u></b>

The decrease in creditor position in the year for the consolidated position is £13,485k (2016: increase of £19,875k). As a joint venture, the full liability under the hedging for FX+ Ltd is held within Investment in Joint Ventures (note 17).

**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 24 PERMANENT ENDOWMENT RESERVES

Group and University	Restricted permanent endowment £'000	Unrestricted permanent endowment £'000	2017 Total £'000	2016 Total £'000
<b>Balances at 1 August:</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>
New endowments	-	1,405	1,405	26
Investment income	295	12	307	249
Expenditure	(715)	-	(715)	(498)
Increase / (Decrease) in market value of investments	2,189	104	2,293	(141)
<b>Total permanent endowment comprehensive income for the year</b>	<b>1,769</b>	<b>1,521</b>	<b>3,290</b>	<b>(364)</b>
<b>Balances at 31 July</b>	<b>23,940</b>	<b>2,044</b>	<b>25,984</b>	<b>22,694</b>
<b>Represented by</b>				
Original gift	8,700	1,795	10,495	9,090
Unapplied total return	15,240	249	15,489	13,604
	<b>23,940</b>	<b>2,044</b>	<b>25,984</b>	<b>22,694</b>
<b>Analysis by asset</b>			<b>£'000</b>	<b>£'000</b>
Investment portfolio			25,772	22,663
Cash and cash equivalents			212	31
			<b>25,984</b>	<b>22,694</b>
<b>Analysis by type of purpose</b>				
Institute for Arab and Islamic Studies			19,152	17,845
Exeter Forever Fund			2,044	523
Special Collections			735	661
Devon Research Scholarships			602	541
Entrance Scholarships			491	682
Other permanent funds			2,960	2,442
			<b>25,984</b>	<b>22,694</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 comprise 80 separate funds that are used for scholarships, prizes and general educational support.

## NOTES TO THE ACCOUNTS

### NOTE 25 EXPENDABLE ENDOWMENT RESERVES

<b>Group and University</b>	<b>2017 Total £'000</b>	2016 Total £'000
<b>Balances at 1 August:</b>		
Original gift	9,124	9,427
Accumulated income	715	712
	<b>9,839</b>	<b>10,139</b>
New endowments	2,237	1,217
Investment income	116	100
Expenditure	(1,392)	(1,567)
Increase/(Decrease) in market value of investments	397	(50)
	<b>1,358</b>	<b>(300)</b>
<b>Total expendable endowment comprehensive income for the year</b>		
	<b>11,197</b>	<b>9,839</b>
<b>Balances at 31 July</b>		
<b>Represented by</b>		
Original Gift	10,793	9,124
Accumulated income	404	715
	<b>11,197</b>	<b>9,839</b>
<b>Analysis by asset</b>		
	<b>£'000</b>	<b>£'000</b>
Investment Portfolio	9,254	8,828
Cash and cash equivalents	1,943	1,011
	<b>11,197</b>	<b>9,839</b>
<b>Analysis by type of purpose</b>		
HRH Prince Al-Waleed Al Saud Awards	1,615	1,577
Carlotta Palmer Legacy	904	1,037
Gillings Foundation	857	1,146
Vandervell	821	812
Annual Fund	447	478
Other expendable endowments	6,553	4,789
	<b>11,197</b>	<b>9,839</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 £1m 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 comprise 285 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 26 UNRESTRICTED RESERVE

Income and expenditure reserve	Group		University	
	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Balances at 1 August	<b>421,210</b>	<b>429,338</b>	<b>423,075</b>	<b>430,653</b>
Surplus/(deficit) from the income and expenditure statement	<b>13,550</b>	15,226	<b>14,681</b>	14,574
Other comprehensive income	<b>15,561</b>	(23,614)	<b>14,656</b>	(22,152)
Transfers between revaluation and income and expenditure reserve	<b>365</b>	260	-	-
<b>Total comprehensive income for the year</b>	<b>29,476</b>	<b>(8,128)</b>	<b>29,337</b>	<b>(7,578)</b>
<b>Balances at 31 July</b>	<b>450,686</b>	<b>421,210</b>	<b>452,412</b>	<b>423,075</b>

### NOTE 27 REVALUATION RESERVE

Revaluation reserve Group	Freehold land and buildings £'000	Fixed asset investment £'000	2017	
			Total £'000	2016 Total £'000
Balances at 1 August	14,598	7,157	<b>21,755</b>	<b>22,090</b>
Revaluation in year		2	<b>2</b>	(75)
Transfers from revaluation to general reserve				
Depreciation on re-valued assets	(365)		<b>(365)</b>	<b>(260)</b>
<b>Total reserve movement for the year</b>	(365)	2	<b>(363)</b>	<b>(335)</b>
<b>Balances at 31 July</b>	<b>14,233</b>	<b>7,159</b>	<b>21,392</b>	<b>21,755</b>

Revaluation reserve University	Freehold land and buildings £'000	Fixed asset investment £'000	2017	
			Total £'000	2016 Total £'000
Balances at 1 August	-	7,157	<b>7,157</b>	<b>7,232</b>
Revaluation in year	-	2	<b>2</b>	(75)
Transfers from revaluation to general reserve				
Depreciation on re-valued assets	-			-
<b>Total reserve movement for the year</b>	-	2	<b>2</b>	<b>(75)</b>
<b>Balances at 31 July</b>	-	<b>7,159</b>	<b>7,159</b>	<b>7,157</b>

**NOTE 28 CAPITAL COMMITMENTS**

<b>Group and University</b>	<b>Year Ended 31 July 2017 £'000</b>	Year Ended 31 July 2016 £'000
Commitments contracted at 31 July	9,821	5,915
Authorised but not contracted at 31 July	15,648	23,485
<b>Total</b>	<b>25,469</b>	<b>29,400</b>

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

**NOTE 29 FINANCIAL COMMITMENTS**

<b>Operating Leases</b>	<b>Year Ended 31 July 2017 £'000</b>	Year Ended 31 July 2016 £'000
Expiring within one year	26	639
Expiring between two and five years	916	899
<b>Total</b>	<b>942</b>	<b>1,538</b>

<b>Guarantees</b>	<b>Year Ended 31 July 2017 £'000</b>	Year Ended 31 July 2016 £'000
Exeter Science Park Ltd	2,400	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 £2,400k payable on 31 October 2023. The £2,400k 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.

**Other Liabilities**

In addition to the liabilities recognised in these financial statements, the University also has financial guarantees and commitments with third parties which are not quantified as the likelihood of them being realised is remote. The two key commitments in place as at 31 July 2017 are:

- The University acts as guarantor, jointly with Falmouth University, on the FX+ Ltd bank loans.
- The University underwrites the rental income charged to INTO University of Exeter LLP for the use of academic buildings.



**NOTE 30 PENSION SCHEMES**

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

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

On the 30 November 2016 the University of Exeter Retirement Benefits Scheme (ERBS) was closed to future accrual and the University of Exeter Retirement Savings Scheme was opened in place of it. ERSS is a defined contribution scheme which is open to all staff on grades B-D.

The 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 7) were:

<b>Pension Contributions</b>	<b>Year Ended 31 July 2017 £'000</b>	Year Ended 31 July 2016 £'000
USS	<b>21,587</b>	18,281
ERSS	<b>2,963</b>	-
ERBS	<b>1,515</b>	4,392
Other pension schemes	<b>499</b>	410
<b>Total</b>	<b><u>26,564</u></b>	<b><u>23,083</u></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 2017 was £21.6m (2016: £18.3m). This includes £1.9m (2016: £1.7m) 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 2017 the University had 2,995 active members participating in the scheme (2015: 2,734).

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. The valuation as at 31 March 2017 is in progress.

The 2014 valuation 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>2017</b>	<b>2016</b>
Discount rate	<b>2.57%</b>	3.6%
Pensionable salary growth	<b>n/a</b>	n/a
Price inflation (CPI)	<b>2.41%</b>	2.2%

**NOTE 30 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:

	<b>2017</b>	<b>2016</b>
Males currently aged 65 years	<b>24.4</b>	24.3
Females currently aged 65 years	<b>26.6</b>	26.5
Males currently aged 45 years	<b>26.5</b>	26.4
Females currently aged 45 years	<b>29.0</b>	28.8

**Existing benefits**

	<b>2017</b>	<b>2016</b>
FRS 102 assets	<b>£60.0bn</b>	£49.8bn
FRS 102 liabilities	<b>£77.5bn</b>	£58.3bn
FRS 102 deficit	<b>£17.5bn</b>	£8.5bn
FRS 102 funding level	<b>77%</b>	85%

**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.

**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: 2.5% 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.

The value of this provision for the University's USS deficit liability as at 31 July 2017 was £40.6m (2016: £38.7m).

The assumptions used for the calculation of the recovery plan liability are as follows:

	<b>2017</b>	<b>2016</b>
Discount Rate	<b>1.85%</b>	1.78%
Salary Inflation	<b>2.5% - 2.7%</b>	2.4% - 2.6%
Staff Changes	<b>0% - 7.0%</b>	0% - 2.8%

**NOTE 30 PENSION SCHEMES (Continued)**

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

The University operated a final salary defined benefit pension scheme that non-academic employees of the University could 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. The Exeter Retirement Benefits Scheme closed to future accrual with effect from November 2016. A replacement defined contribution scheme, the University of Exeter Retirement Savings Scheme (ERSS) was effective from 1 December 2016.

The last formal triennial actuarial valuation of the ERBS scheme was performed as at 5 April 2015 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 reduced to 20% from 1 December 2016.

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

	<b>2017</b>	<b>2016</b>
Discount rate	<b>2.6%</b>	2.5%
Inflation assumption (RPI)	<b>3.6%</b>	3.1%
Inflation assumption (CPI)	<b>2.6%</b>	2.1%
Pension payment increase for ERBS members – pre 01/08/10	<b>2.6%</b>	2.1%
Pension payment increase for ERBS members – post 01/08/10	<b>2.2%</b>	1.9%
Long term salary increases	<b>n/a</b>	3.6%
Increase on CARE benefits before retirement (in active service)	<b>n/a</b>	3.1%

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used (in years from date of retirement):

	<b>2017</b>	<b>2016</b>
Males currently aged 65 years	<b>22.3</b>	22.6
Females currently aged 65 years	<b>24.0</b>	24.4
Males currently aged 45 years	<b>23.3</b>	23.9
Females currently aged 45 years	<b>25.2</b>	25.9



## NOTES TO THE ACCOUNTS

### NOTE 30 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>2017</b>		2016
	<b>£'000</b>		£'000
Equities	<b>41.2%</b>	<b>52,824</b>	50.9%
Corporate Bonds	<b>9.1%</b>	<b>11,631</b>	8.7%
Government Bonds	<b>49.4%</b>	<b>63,342</b>	38.4%
Cash / Other	<b>0.3%</b>	<b>412</b>	2.0%
Total		<b>128,209</b>	<b>119,706</b>
Present value of scheme liabilities		<b>(155,873)</b>	<b>(155,712)</b>
Pension liability		<b>(27,664)</b>	<b>(36,006)</b>

#### Actual return on Scheme Assets

	<b>Year Ended</b>	Year Ended
	<b>31 July 2017</b>	31 July 2016
	<b>£'000</b>	£'000
Actuarial gain on assets	<b>7,262</b>	6,238
Interest income	<b>2,971</b>	3,911
	<b>10,233</b>	<b>10,149</b>

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

	<b>Year Ended</b>	Year Ended
	<b>31 July 2017</b>	31 July 2016
	<b>£'000</b>	£'000
Current service cost	<b>1,519</b>	3,933
Past service costs	-	-
Scheme expenses	<b>522</b>	616
Interest income on assets	<b>(2,971)</b>	(3,911)
Interest cost on defined benefit obligations	<b>3,856</b>	5,121
Curtailement (gain)/loss	<b>(6,884)</b>	-
<b>Total (credit) / charge to Statement of Comprehensive Income</b>	<b>(3,958)</b>	<b>5,759</b>

**NOTE 30 PENSION SCHEMES (Continued)**
**Analysis of movements**

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
<b>Movement in the scheme deficit</b>		
<b>Opening deficit</b>	<b>(36,006)</b>	<b>(34,754)</b>
Current service cost	(1,519)	(3,933)
Contributions paid	3,224	5,759
Additional capital repayment	-	1,030
Scheme expenses	(522)	(616)
Interest income on assets	2,971	3,911
Interest cost on defined benefit obligations	(3,856)	(5,121)
Curtailment gain/(loss)	6,884	-
Actuarial gain/(loss)	1,160	(2,282)
<b>Deficit on scheme at the end of the year</b>	<b>(27,664)</b>	<b>(36,006)</b>

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
<b>Movement in the fair value of scheme assets</b>		
<b>Opening fair value of assets</b>	<b>119,706</b>	<b>107,698</b>
Interest income	2,971	3,911
Actuarial gain on assets	7,262	6,238
Employers' contributions	3,224	5,759
Additional Capital repayment	-	1,030
Members' contributions	86	281
Scheme expenses	(522)	(616)
Actual benefit payments	(4,518)	(4,595)
<b>Fair value of assets at the end of the year</b>	<b>128,209</b>	<b>119,706</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 2017 £'000	Year Ended 31 July 2016 £'000
<b>Movement in the present value of ERBS Defined Benefit Obligations</b>		
<b>Opening Defined Benefit Obligations</b>	<b>155,712</b>	<b>142,452</b>
Current service cost	1,519	3,933
Interest cost	3,856	5,121
Member's contributions	86	281
Actuarial losses	6,102	8,520
Actual benefit payments	(4,518)	(4,595)
Curtailment gain	(6,884)	-
<b>Closing Defined Benefit Obligations</b>	<b>155,873</b>	<b>155,712</b>

## NOTES TO THE ACCOUNTS

### NOTE 31 PROVISIONS FOR LIABILITIES

	<b>Obligation to fund deficit on USS pension £'000</b>	<b>Defined Benefit Obligations on ERBS pension £'000</b>	<b>Total pensions provision £'000</b>	<b>Other provisions £'000</b>	<b>Total provisions £'000</b>
At 1 August 2016	38,713	36,006	<b>74,719</b>	2,600	<b>77,319</b>
Utilised in year	(1,935)	(298)	<b>(2,233)</b>	(800)	<b>(3,033)</b>
Actuarial Gains	-	(1,160)	<b>(1,160)</b>	-	<b>(1,160)</b>
Additions in 2016/17	3,852	-	<b>3,852</b>	600	<b>4,452</b>
Curtailment Gain	-	(6,884)	<b>(6,884)</b>	-	<b>(6,884)</b>
<b>At 31 July 2017</b>	<b>40,630</b>	<b>27,664</b>	<b>68,294</b>	<b>2,400</b>	<b>70,694</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 30.

#### Other Provisions

£2.4m of the other provision is in relation to the guarantee held over Exeter Science Park. See note 29 for more details.

### NOTE 32 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 at the front of the accounts. 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 2017</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	-	-	-
BSW Consulting Limited	-	-	-
Camborne School of Mines Trust	20	-	-
Dartington Hall Trust	-	10	-
Exeter Mathematics School	15	-	-
Falmouth Exeter Plus	-	7,483	-
INTO University of Exeter	1,524	538	174
One Health Ventures Limited	99	-	-
UCAS	4	203	(7)
University of Exeter Students' Guild	356	1,835	18
Willis Limited	73	1	15
FXU	11	255	1



**NOTE 32 RELATED PARTY TRANSACTIONS (Continued)**

<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 Students' Guild	342	1,699	-
Willis Limited	1	-	-

- 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.
- Dartington Hall Trust is an Estate which specialises in Education and Heritage. One council member is related to Chair of the Dartington Halls Trust.
- The Exeter Mathematics School is a state funded 6th form college, jointly sponsored by the University of Exeter and Exeter College.
- One Health Ventures Limited is a research and development company. The University has significant control over the entity.
- 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 Students' 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 17 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.
- The total FX+ debt as at 31 July 2017 is £50.0m. The University has guaranteed 50% of this balance, totalling £25.0m.

## NOTES TO THE ACCOUNTS

### NOTE 32 RELATED PARTY TRANSACTIONS (Continued)

The FX+ Group has capital commitments as follows:

	<b>Year Ended 31 July 2017 £'000</b>	Year Ended 31 July 2016 £'000
Commitments contracted at 31 July	<b>445</b>	838
Authorised but not contracted at 31 July	<b>10,375</b>	3,625
	<b>10,820</b>	<b>4,463</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 2017 £'000</b>	Year Ended 31 July 2016 £'000
Income derived from the FX+ Group	<b>1</b>	10
Expenditure incurred with the FX+ Group	<b>(6,664)</b>	(5,355)

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 2017 £'000</b>	Year Ended 31 July 2016 £'000
Amount owing from the University to the FX+ Group	<b>917</b>	1,527

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

For further information on INTO see note 17 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 2017 £'000</b>	Year Ended 31 July 2016 £'000
Income derived from INTO	<b>1,263</b>	1,019
Expenditure incurred with INTO	<b>529</b>	366

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

	<b>Year Ended 31 July 2017 £'000</b>	Year Ended 31 July 2016 £'000
Amount due to the University from INTO	<b>290</b>	124

## NOTES TO THE ACCOUNTS

### NOTE 33 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 2017 £'000</b>	Year Ended 31 July 2016 £'000
Balance at 1 August	147	148
NCTL Grants	<b>3,249</b>	3,586
	<b>3,396</b>	3,734
Disbursed to students	<b>(3,273)</b>	(3,587)
Administration costs	-	-
<b>Balance at 31 July</b>	<b>123</b>	<b>147</b>



## 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 to 2016/17 accounts reflect the audited figures in the relevant 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>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>					
Tuition fees and education contracts	<b>219,237</b>	203,549	181,580	150,623	119,809
Funding body grants	<b>44,019</b>	46,261	41,238	46,438	59,109
Research grants and contracts	<b>70,241</b>	61,853	69,926	60,512	53,287
Other income	<b>58,543</b>	56,620	63,209	63,697	77,816
Investment income	<b>1,161</b>	1,233	1,731	3,350	2,023
Donations and endowments	<b>3,855</b>	1,600	2,474	1,294	3,150
<b>Total income</b>	<b><u>397,056</u></b>	<b><u>371,116</u></b>	<b><u>360,158</u></b>	<b><u>325,914</u></b>	<b><u>315,194</u></b>
<b>Expenditure</b>					
Direct staff costs	<b>206,346</b>	185,537	177,766	168,416	152,535
Movement on pension provision	<b>45</b>	(1,267)	16,575	1,656	761
Fundamental restructuring costs	<b>-</b>	-	7,452	-	-
Other operating expenses	<b>131,837</b>	124,949	110,162	109,163	109,003
Depreciation	<b>41,350</b>	37,869	36,115	35,050	30,473
Interest and other finance costs	<b>10,093</b>	11,091	10,383	9,312	5,982
<b>Total expenditure</b>	<b><u>389,671</u></b>	<b><u>358,179</u></b>	<b><u>358,453</u></b>	<b><u>323,597</u></b>	<b><u>298,754</u></b>
<b>Surplus/(Deficit) before other gains losses and share of joint ventures</b>	<b>7,385</b>	<b>12,937</b>	<b>1,705</b>	<b>2,317</b>	<b>16,440</b>
(Loss)/Gain on investments	<b>2,821</b>	(63)	1,875	2,970	4,312
Share of operating surplus/(deficit) in joint venture	<b>1,117</b>	1,650	1,122	499	1,632
Curtailment Gain on Defined Benefit Pension Scheme	<b>6,884</b>	-	-	-	-
<b>Surplus/(Deficit) before tax</b>	<b><u>18,207</u></b>	<b><u>14,524</u></b>	<b><u>4,702</u></b>	<b><u>5,786</u></b>	<b><u>22,384</u></b>
Taxation	<b>-</b>	(14)	(1,743)	-	-
<b>Surplus/(Deficit) for the year</b>	<b><u>18,207</u></b>	<b><u>14,510</u></b>	<b><u>2,959</u></b>	<b><u>5,786</u></b>	<b><u>22,384</u></b>
<b>EBITDA for HE</b>	<b>53,509</b>	<b>53,471</b>	<b>55,912</b>	<b>41,192</b>	<b>46,959</b>
<b>University EBITDA</b>	<b>42,265</b>	<b>43,683</b>	<b>37,492</b>	<b>28,784</b>	<b>23,313</b>

## FIVE YEAR SUMMARY ACCOUNTS

These pages do not form part of the Statutory Financial Statements

<b>BALANCE SHEET</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Tangible and intangible assets	<b>698,376</b>	696,693	687,469	666,461	603,119
Heritage assets	<b>7,244</b>	7,244	7,171	7,171	4,585
Investments	<b>44,952</b>	42,039	41,895	39,550	39,189
Investment in joint venture	<b>12,823</b>	13,050	13,584	13,579	15,965
Net current assets	<b>63,257</b>	62,270	62,082	68,629	5,202
Creditors: due after one year	<b>(246,689)</b>	(268,456)	(255,092)	(245,827)	(161,751)
	<b>579,963</b>	<b>552,840</b>	<b>557,109</b>	<b>549,563</b>	<b>506,309</b>
Pension liability and other provisions	<b>(70,674)</b>	(77,319)	(72,484)	(46,180)	(38,335)
<b>Total net assets</b>	<b>509,289</b>	<b>475,521</b>	<b>484,625</b>	<b>503,383</b>	<b>467,974</b>
Represented by:					
Endowment reserve	<b>37,213</b>	32,533	33,197	30,265	29,149
Income and expenditure reserve	<b>450,684</b>	421,233	429,338	450,775	418,778
Revaluation reserve	<b>21,392</b>	21,755	22,090	22,343	20,047
<b>Total reserves</b>	<b>509,289</b>	<b>475,521</b>	<b>484,625</b>	<b>503,383</b>	<b>467,974</b>

	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>
<b>Finance Strategy KPIs</b>					
Earnings (EBITDA) as a % of Total Income	<b>10.6%</b>	11.8%	10.4%	8.8%	7.4%
Staff Cost ratio (Staff costs per note 7 excluding movement in pension provisions)	<b>52.0%</b>	49.9%	49.4%	51.6%	47.8%

University EBITDA is 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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