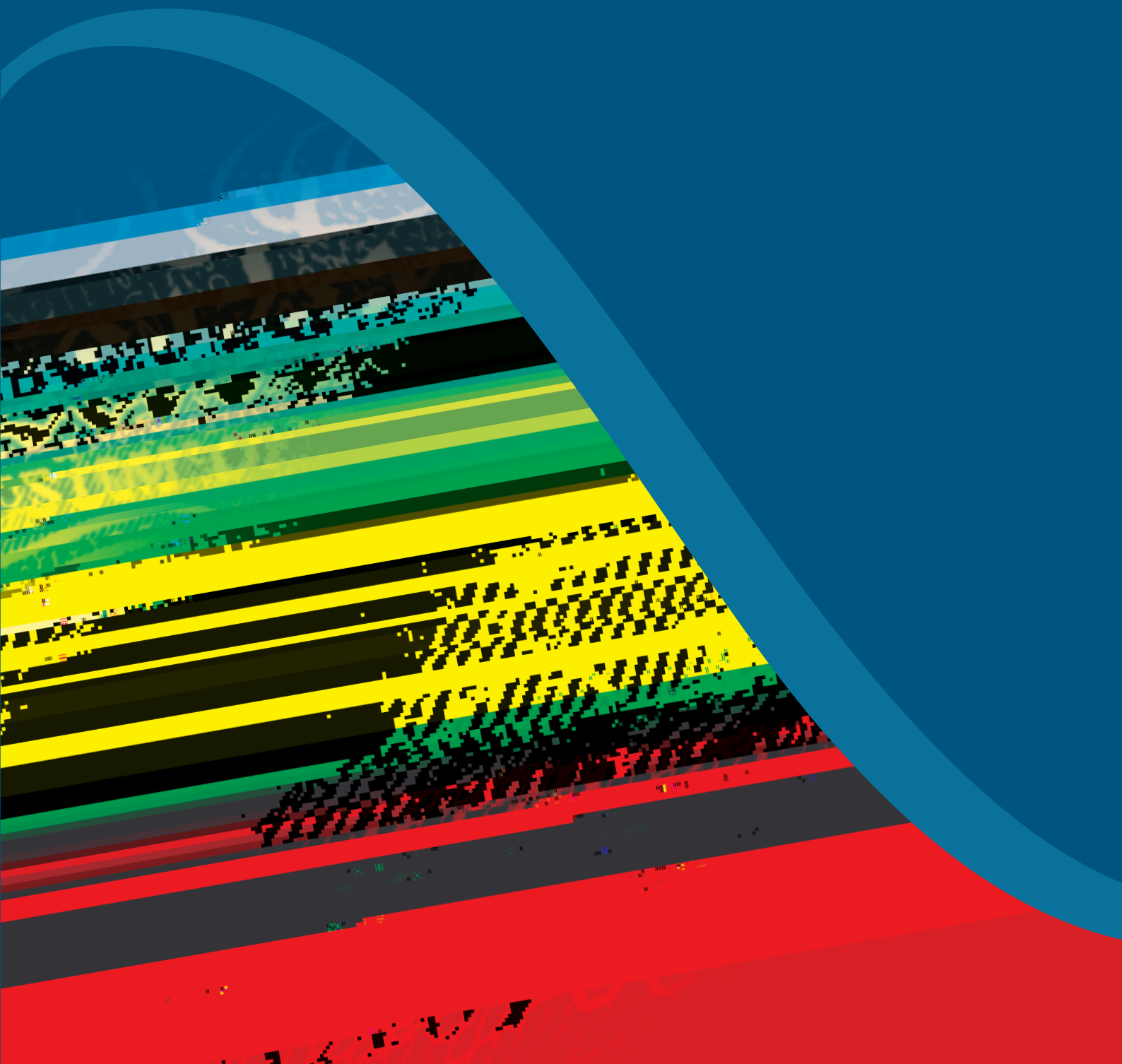


university of
exeter

Financial Statements

31st March 2005



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www.exeter.ac.uk/admin/finance/accounts.pdf

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REPORT OF THE TREASURER

During the year the University moved significantly towards the achievement of its strategic goal of being an internationally recognised leading research-intensive university. This goal, one of the University's priorities, is excellence, as required by strong leadership and resources. The staff, students and Council have shown the necessary strength of purpose this year to bring the achievement of this goal within reach.

The University's reported consolidated result is a deficit of 12.7 million. Of this, some 10 million is exceptional and explained in detail in note 9 to these statements under the categories:

1. Fundamental restructuring costs 6.8 million, and
2. Deficit on disposal of land and buildings 3.2 million.

Having prepared its accounts on the footing that its fixed assets are revalued every five years, the University then makes an adjustment to express the results on the accounting principles which HEFCE uses to judge performance. These require fixed assets to be carried at cost with a consequent, often substantial, adjustment to the charge for depreciation. This year, that adjustment reduces the exceptional items to 6.2 million and discloses a deficit for the year of 6.6 million.

Then, the underlying result of the University is similar to last year with a deficit of 0.4 million. The management of the University recognises that an operating result as close as this cannot be sustained and have taken steps to remedy it. The task now is to build on these beginnings to generate funds for investment in research, teaching and the student experience.

It is easy to focus on these headline numbers in the table below, but I would like to take the opportunity to look at some of the underlying changes over last year:

- HEFCE income, excluding the release of deferred capital grants, has grown by 9% in the year, largely as a result of the growth of the University's campus in Cornwall. The University's presence there is growing; phase two is about to begin and phase three is in the planning. Our Cornwall campus is set to make an important contribution to the ambition of both the University and the educational profile of Cornwall.

RESULTS FOR THE YEAR - INCOME AND EXPENDITURE ACCOUNT

The summarised consolidated results on an historical cost basis for the year to 31 July 2005 are as follows:

	2004/05	2003/04	2002/03
	£	£	£
Income	128.9	115.6	105.9
Expenditure	(129.2)	(115.9)	(101.9)
Share of operating losses in joint venture	(0.1)	—	—
	(0.4)	(0.3)	4.0
Exceptional items	(6.2)	(2.7)	—
Historical cost (deficit)/surplus for the year	(6.6)	(3.0)	4.0

- Teaching fees have grown by 11% partly as a result of the growth in Cornwall noted above but also due to successes in the international and postgraduate market.
- Research grants and contracts have also grown by 11% in the year with particularly significant growth in European Union and UK commercially funded activity.
- Other income has grown by 22% of which 7% relates to income generated at our Cornwall campuses.

This income growth needs to be considered in the context of a University dealing with a considerable and exacting recurring exercise and the actual total income grew by 9% in the year to 31 July 2004 as well. This is an achievement to be proud of and a sound footing on which to base the University's future.

As the operating result of the University is largely unchanged over last year it is clear that our expenditure has also grown by 11%. Significant areas of growth include:

- Pension costs (which are included in staff costs). The University adopted a new pension financial reporting standard (FRS 17) last year and its impact has again been felt this year with an upward adjustment of 1.6 million in the past service costs to staff. This position will be more easily compared with that of other universities next year when they too will adopt this standard. Another increase is extra staff cost required at the Peninsula Medical School, our growing joint venture with the University of Plymouth.
- Other operating expenses have increased by 10%. A significant proportion of this relates to the University's share of the operating cost of the Cornwall campuses in its first year of operation. The balance of the increase is



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

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

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

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

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

The Audit Committee meets four times a year (five in 2004/05) with the University's senior officers and the External and Internal Auditors in attendance. At least once a year the Committee meets the Auditors with all the University officers present. The Committee consists of members with no executive responsibility for the management of the University.

VICE-CHANCELLOR

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the Original Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Deputy Vice-Chancellors and the senior administrative officers all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

UNIVERSITY COMMITTEES

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

These committees, and in some cases others, are normally constituted as committees of the Council with written terms of reference and specified members. In particular a significant proportion of lay members of the Council will be selected (with the exception of the Strategy, Performance

REGISTRATION

The University of the South Pacific requires all members of the staff to register with the Registrar and Secretariat of the University of the South Pacific. This registration is a prerequisite for the University's accreditation process.

The Registrar and Secretariat of the University of the South Pacific are responsible for the registration of all members of the staff. For any enquiries regarding registration and accreditation of the University's programmes, please contact the Registrar and Secretariat.

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

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

In carrying out the financial statements to be prepared, the Council shall ensure that through its senior officers and the Strategy, Performance and Resources and Audit Committees that:

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



W^e

		2005	2004
		£ 000	£ 000
Deicit on continuing operations		(12,678)	(5,103)
Appreciation of endowment asset investments	21	2,961	892
New endowments	21	18	10
Endowment income (dispersed) in the year	21	(13)	(38)
Endowment capital (dispersed) in the year	21	—	(51)
Revaluation surplus on fixed asset investments	22	328	1,396
Revaluation surplus on tangible fixed assets held in joint venture	22	225	—
Actuarial loss on pension scheme	30	(100)	(1,200)
		(9,259)	(4,094)
		2005	2004
		£ 000	£ 000
Opening reserves and endowments		131,671	135,765
Total recognised losses in the year		(9,259)	(4,094)
		122,412	131,671

2005 2004

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^a 3_	^a 2005 £ 000	^a 3_	^a 2004 £ 000
	2,164		3,919

I. GENERAL POLICIES

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2003) and in accordance with applicable accounting standards.

They conform to guidance published by the Higher Education Funding Council for England. The accounts have therefore been prepared on a going concern basis.

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments. The accounting policies applied are

Overhead costs. The University holds no general endowment asset investments.

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

Non-recurrent grants from the funding bodies are either

Leasehold buildings are depreciated over their expected useful lives, subject to a maximum of 40 years.

Finance costs directly attributable to the construction of land and buildings are capitalised as part of the cost of these assets. Where expenditure incurred on the development of new premises includes the cost of equipping the premises with furniture etc., the expenditure is capitalised together with the works costs.

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

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

Equipment, including computers and software, costing less than £25,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

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

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

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

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

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

Endowment asset investments are carried at market value. Stock investments held at the previous year-end, and carried at market value at that date, may be sold during the year. This crystallises the value and any difference between the opening market value and the sale proceeds represents a revaluation movement. Consequently the financial statements do not distinguish between the valuation adjustment relating to sales and the loss relating to continuing holdings as they are together treated as changes in the value of the investment portfolio.

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

Stock is shown at the lower of cost and net realisable value for building maintenance, bars, residences and catering stores, and the University Shop. Where necessary, provision is made for obsolete, slow-moving and defective stocks. Stocks of consumables held for administrative purposes and in academic societies are not reflected in the balance sheet and are therefore not recognised recurrently in the year of purchase; it is not considered that such stocks have any material effect on the income and expenditure account.



NOTES TO THE ACCOUNTS

	2005	2004
	£ 000	£ 000

	2005	2004
	£ 000	£ 000
Research councils	6,290	6,206
UK based charities	2,738	2,288
UK central government, local authorities, health & hospital authorities	3,780	3,406
UK industry, commerce and public corporations	975	718
European Union government and other bodies	1,235	939
Other grants and contracts	275	251
	15,293	13,808

Included above are deferred capital grants released in the year of 147,000 (2004: 439,000)

	2005	2004
	£ 000	£ 000
Residences, catering and conferences	20,420	19,941
Other Services Rendered		
Validation fees	131	153
Teaching companies	375	194
UK central government, local authorities, health and hospital authorities	1,397	1,586
Others	1,730	820
Income from health and hospital authorities	2,552	1,591
Other Operating Income		
Other external grants	921	839
Conferences, summer schools, air and degree days income	656	736
Donations and other fundraising	403	590
Erasers	423	450
Sports and swimming pools	567	424
Externally regarded staff time	504	314

	2005	2004
	£ 000	£ 000
Increase from specific endowments	378	416
Increase from short term investments	626	446
Increase from fixed asset investments	40	43
Other interest receivable	—	2
	1,044	907

3.2.2 Full-time equivalents

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

	2005	2004
Academic staff	635	622
Research staff	310	270
Teaching fellows (formerly Tutors)	137	106
Occasional lecturers	32	31
Support staff	1,647	1,570
Casuals	148	129
	2,909	2,728

3.2.3 Staff costs

	2005	2004
	£ 000	£ 000
Salaries and wages	64,752	60,534
Social security costs	4,956	4,586
Pension costs (note 30)	8,003	6,463
	77,711	71,583

Salaries and wages include an exceptional charge of 46,000 (2004: 638,000) in respect of financial restructuring at the Cambridge Science Centre Mines prior to its relocation to the Trevelyan campus.

	2005	2004
	£ 000	£ 000
Employments of the Vice-Chancellor:		
Remuneration (including benefits in kind)	163	137
Pension contributions to USS	23	19
	186	156

The remuneration has been independently determined by the lay members of the Council and reviewed according to performance.

Compensation or loss of office paid to a former higher paid employee:

	2005	2004
	£ 000	£ 000
Payments to USS financed pension benefits	—	21

Remuneration of other higher paid staff, excluding employer's pension contributions but inclusive of payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are excluded in the University's income and expenditure account:

	2004/05	2003/04
	£ 000	£ 000
70,000 - 79,999	24	4
80,000 - 89,999	3	1
90,000 - 99,999	1	1
120,000 - 129,999	1	—
130,000 - 139,999	1	1
160,000 - 169,999	1	—
170,000 - 179,999	—	1
190,000 - 199,999	1	—

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



	2005	2004
	£ 000	£ 000
Residences, catering and conferences	9,027	10,202
Rents and rates	374	417
Heat, light, water and power	1,227	1,176
Repairs and general maintenance	4,139	2,503
Laboratory equipment and consumables	2,340	2,442
IT hardware, software and licences	2,041	2,941
Other equipment	1,091	679
Books and periodicals	1,711	1,630
Non-contract staff and external examiners	3,365	2,712
Administrative costs including postage and telephones	1,852	1,828
Insurances	382	390
Publicity, publications and student recruitment	1,127	1,097
Travel, accommodation, subsistence and hospitality	3,836	3,134
Fellowships, scholarships and prizes	3,210	2,783
Field courses and other student support	3,796	2,816
Legal, professional and consultancy fees	1,210	1,115
Audit's remuneration	64	41
Audit's remuneration in respect of non-audit services	16	15
University of Exeter in Cornwall (UEC) initiative	1,229	—
Other expenses	1,116	1,286
	43,153	39,207

2004/05

The depreciation charge has been funded by:

	2005	2004
	£ 000	£ 000
De erred capital grants released – buildings (note 20)	2,198	922
De erred capital grants released – equipment (note 20)	404	720

As part of the restructuring arrangements staff taking early retirement were given enhanced pension benefits including added years of service and increased entitlements.

	2005	2004	2005	2004
	£ 000	£ 000	£ 000	£ 000
Land and buildings				
At 1 August 2004	214,751	19,489	9,906	244,146
Additions	13,054	6,819	556	20,429
Disposals (note 9B)	(5,019)	(474)	(2,050)	(7,543)
At 31 July 2005	222,786	25,834	8,412	257,032
Intangible assets				
At 1 August 2004	13,464	282	7,950	21,696
Charge for the year (note 7)	5,303	956	645	6,904
Impairment (note 9A)	1,048	—	—	1,048
Disposals (note 9B)	(679)	(261)	(2,050)	(2,990)
At 31 July 2005	19,136	977	6,545	26,658
Other assets				
At 31 July 2005	203,650	24,857	1,867	230,374
At 31 July 2004	201,287	19,207	1,956	222,450
Financed by capital grant	122,925	24,556	1,202	148,683
Other	80,725	301	665	81,691
At 31 July 2005	203,650	24,857	1,867	230,374

- a) The total cost of land and buildings is mainly attributable to the development of purpose property for teaching, research and accommodation purposes.
- b) Freehold and leasehold land and buildings with a net book value of £142.7m (2004: £138.7m) have been financed, in whole or in part, by exchange grants. Should these buildings be sold, the University would either have to surrender the proceeds to the Treasury or set them in accordance with the conditions given in its Financial Memorandum with the Higher Education Funding Council of England.
- c) At 31 July 2005 freehold and leasehold land and buildings included £7.2m (2004: £47.3m) in respect of buildings under construction.
- d) Included in the cost of freehold land and buildings is £0.8m bank loan interest payable that has been capitalised. These finance costs are directly attributable to the construction of student residences and were capitalised as part of the cost of these assets whilst they were in the course of construction.

	2005	2004	2005	2004
	£ 000	£ 000	£ 000	£ 000
Intangible assets				
At 1 August 2004	214,764	19,489	9,907	244,160
Additions	13,054	6,771	551	20,376
Disposals (note 9B)	(5,019)	(474)	(2,045)	(7,538)
At 31 July 2005	222,799	25,786	8,413	256,998
Goodwill				
At 1 August 2004	13,464	282	7,950	21,696
Charge for the year	5,303	954	644	6,901
Impairment (note 9A)	1,048	—	—	1,048
Disposals (note 9B)	(679)	(261)	(2,045)	(2,985)
At 31 July 2005	19,136	975	6,549	26,660
Other intangible assets				
At 31 July 2005	203,663	24,811	1,864	230,338
At 1 August 2004	201,300	19,207	1,957	222,464
Property, plant and equipment				
	2005	2004	2005	2004
	£ 000	£ 000	£ 000	£ 000
Fine art collection	1,613			

On 1 August 2004 the University of Exeter and University College Falmouth (UCF) (formerly Falmouth College of Arts) transferred all their issued shares in Treworg Development Vehicle Limited (TDV) to Treworg Carps Services (TCS), a company limited by guarantee and having no share capital. TCS is a joint venture company owned equally by the University and UCF. Until this date TDV was a joint venture company with UCF and had been established to provide the construction of the main car park for the Combined Universities in Cornwall project to be based at Treworg in Penryn. TCS manages the services provided on the car park and also owns and runs the student residences built on that site.

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

	£ 000	£ 000
<u>For the year ending 31 July 2005</u>		
Income		2,331
Deficit before and after tax		(150)
<u>As at 31 July 2005</u>		
Fixed assets	10,196	
Current assets	1,740	
		11,936
Liabilities: due within one year	(1,479)	
Liabilities: due after one year or more	(10,382)	
		(11,861)
Share net assets		75

	2005 £ 000	2004 £ 000
Balance brought forward	10,585	9,772
Additions – new funds received	18	10
Additions – interest and dividends re-invested	366	371
Disposals – capital withdrawn	(57)	(161)
Disposals – income withdrawn	(322)	(299)
Appreciation on disposals/revaluation	2,961	892
	13,551	10,585
The investments comprise:		
Fixed interest stocks	1,440	950
Equities	12,111	9,635
Bank balances		—v—rCy)B—UBcP0

NOTE 5

	2005	2004	2005	2004
	£ 000	£ 000	£ 000	£ 000
Accounts payable due within one year:				
Debtors	10,059	9,690	9,461	9,020
Accounts payable by group undertakings:				
Subsidiary companies	—	—	2,790	2,767
Prepayments and accrued income	3,550	6,468	3,526	6,468
	13,609	16,158	15,777	

NOTES TO THE ACCOUNTS

	2005 £ 000	2004 £ 000	2005 £ 000	2004 £ 000
Bank loans (note 19)	60,750	46,214	60,750	46,214
Inherited Liability – Cornwall County Council	65	72	65	72
Amounts owed to group undertakings:				
Subsidiary companies	—	—	3,306	14,986
Other long-term creditors	1,811	1,196	1,811	1,196
	<u>62,626</u>	<u>47,482</u>	<u>65,932</u>	<u>62,468</u>

Included within bank loans is interest of £1,917,000 (2004: £418,000) that has been added to the loan balance whilst the University benefits from a repayment holiday.

Other long-term creditors include an amount of £1,092,000 (2004: £477,000) due in respect of pension liabilities following early retirements.

	2005 £ 000	2004 £ 000
Bank loans and overdrafts are repayable as follows:		
Bank overdrafts	3,317	—
Bank loans:		
In one year or less	467	942
In one to two years	495	1,843
In two to five years	3,645	7,320
In five years or more	56,610	37,051
	<u>64,534</u>	<u>47,156</u>

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	2005	2004	2004
	£ 000	£ 000	£ 000
2004	94,821	4,022	98,843
Revaluation in the year			
Land and buildings in joint venture	225	—	225
Fixed assets investments - QinetiQ shares	—	328	328
Transfer from revaluation to general reserve:			
Depreciation on re-valued assets	(2,307)	—	(2,307)
Release of previous years property revaluation surplus on current year disposals	(3,818)	—	(3,818)
2005	88,921	4,350	93,271

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	2005	2004	2004
	£ 000	£ 000	£ 000
2004	94,821	4,022	98,843
Revaluation in the year			
Land and buildings in joint venture	—	—	—
Fixed assets investments - QinetiQ shares	—	328	328
Transfer from revaluation to general reserve:			
Depreciation on re-valued assets	(2,295)	—	(2,295)
Release of previous years property revaluation surplus on current year disposals	(3,818)	—	(3,818)
2005	88,708	4,350	93,058

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	2005	2004	2005	2004
	£ 000	£ 000	£ 000	£ 000
Balance at 1 August	22,244	26,371	22,260	26,388
Deficit for the year	(12,678)	(5,103)	(12,527)	(5,104)
Transfers from revaluation reserves	6,125	2,175	6,113	2,175
Other movements	(101)	(1,199)	(101)	(1,199)
2005	15,590	22,244	15,745	22,260

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	2005	2004
	£ 000	£ 000
Deficit on continuing operations	(12,678)	(5,103)
FRS 17 – Pension Adjustment (note 30)	1,700	300
Depreciation (note 7)	6,904	5,640
Impairment of land and buildings (note 9A)	1,048	—
Deficit on disposal of tangible fixed assets (note 9)	3,219	—
Deferred capital grants released (note 20)	(2,277)	(1,642)
Deferred capital grants released on impairment (note 20)	(325)	—
Endowment and investment income (note 5)	(1,044)	(907)
Interest payable (note 8)	3,333	1,589
Decrease in stock	198	39
(Increase)/Decrease in debtors	(734)	1,308
Increase in creditors	2,820	2,695
Net cash inflow from operating activities	2,164	3,919

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	2005	2004
	£ 000	£ 000
Increase in endowments	365	378
Increase in short term investments	646	447
Other interest received	40	45
Interest paid	(2,062)	(903)
Net cash flow from returns on investments and servicing of finance	(1,011)	(33)

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	2005	2004
	£ 000	£ 000
Purchase of tangible assets	(24,264)	(35,402)
Payments to acquire long term investments	140	(121)
Payments to acquire endowment asset investments	(307)	(315)
Total fixed and endowment assets acquired	(24,431)	(35,838)
Receipts from the sale of tangible assets	1,334	220
Receipts from the sale of long term investments	—	1,249
Receipts from the sale of endowment assets	379	460
Cash placed in restricted deposit account	(3,676)	—
Deferred capital grants received	15,645	14,396
Endowments received	18	10
Net cash flow from capital expenditure and financial investment	(10,731)	(19,503)

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

The University also makes contributions to the National Health Service (NHS) in respect of a small number of staff at its School of Sport & Health Sciences and the Peninsula Medical School.

The latest actuarial valuation for USS was at 31 March 2002 and for ERBS was 6 April 2003. The pension costs for both schemes are assessed using the projected unit credit method. The assumptions that have the most significant effect on the resultant valuations are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and

a

Analysis of the amount charged to the income and expenditure account

	2005	2004
	£ 000	£ 000
Current service cost	1,500	1,400
Past service cost	1,600	—
Total operating charge	3,100	1,400

Analysis of the amount charged to the income and expenditure account

	2005	2004
	£ 000	£ 000
Wit in pension costs (note 6) – currently contributions	1,800	1,100
Wit in pension costs (note 6) – FRS 17	540	300
Wit in restricting costs (note 9) – FRS 17	760	—
Total operating charge	3,100	1,400

Analysis of amount credited to the finance expenditure

	2005	2004
	£ 000	£ 000
Expected return on pension scheme assets	2,900	3,000
Interest on pension scheme liabilities	(3,300)	(3,000)
Net (charge)/credit in accounts	(400)	—

a

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

	2005	2004
	£ 000	£ 000
Actual return less expected return on scheme assets	6,500	(300)
Experience losses on the scheme liabilities	(700)	(200)
C		

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

	2005 £ 000	2004 £ 000
Deficit on service at 1 August	(11,300)	(9,800)
Movements in the year:		
Current service cost	(1,500)	(1,400)
Contributions paid	1,800	1,100
Past services costs	(1,600)	—
Other finance expenditure	(400)	—
Actuarial losses	(100)	(1,200)

3. Financial statements

	2005 £ 000	2004 £ 000
Commitments contracted at 31 July	8,350	15,381
Attributed but not contracted at 31 July	38,200	42,550
	46,550	57,931

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

3.2 Related party transactions

Due to the nature of the University's operations and the composition of the University Council (with members being drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest.

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

During the year ended 31 July 2004 the University and University College Falmouth (UCF) subscribed equally to a joint venture company limited by guarantee in which exempt charitable status was obtained. Trethow Carriage Services (TCS) was established to operate student and commercial services for the Trethow carriages under a combined services agreement and commenced trading in August 2004.

On 1 August 2004 the University and UCF each transferred their 50% shares in Trethow Development Vehicle Limited (TDV) to TCS. With effect from the same date TDV transferred its interest in the site at Trethow to TCS, along with all other assets, contracts and liabilities relating to the building of the student residences at the carriages. The University and UCF have continued to guarantee a sum of £9.3m each to Lloyds TSB Bank plc, in respect of the borrowings of £18.6m transferred from TDV to TCS.

TDV was a joint venture company that was established to develop the first phase of buildings (under the Combined Universities in Cornwall initiative) at the Trethow carriages. TDV will continue to undertake academic related building works on behalf of TCS. The University and UCF receive capital grants that are released to TDV to fund the academic development at the Trethow carriages.

During the year TCS also contracted for the design and construction of Phase 2 of the development of the Combined Universities in Cornwall initiative. TCS will continue to contract the works with third parties and will recover funds from the University and UCF on the basis of an agreed split of costs and charge (initially set at 52.44% for the University and 47.56% for UCF).

Transactions between the University and TCS were as follows: -

	2005
	£ 000
Income derived from TCS	75
Expenditure incurred from TCS	965
Payments by TCS on behalf of the University	4,236

'Payments by TCS on behalf of the University' represents amounts paid to contractors for the University's share of the design and construction of Phase I at the Trevelyan Campus.

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

	2005
	£ 000
Amount owing from University to Exeter to TCS	974
Amount due to University to Exeter from TCS	50

Summary of transactions for the year ended 31 July 2005

	2005	2004
	£ 000	£ 000
Balance spent at 1 August	39	29
Funding Council grants	413	482
Interest earned	4	3
	456	514
Disbursed to students	(406)	(472)
Administration costs	(4)	(3)
Balance spent at 31 July	46	39

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

3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

NOTES TO THE ACCOUNTS

iii.

| | 2005 | 2004 |
|--|--------------|--------------|
| | £ 000 | £ 000 |
| Recurrent grant | 5,110 | 3,141 |
| Specific grants | | |
| HEFCE medical capital grant | — | 107 |
| HEFCE equipment capital grant | 1,080 | 724 |
| Widening participation | 10 | 124 |
| Other | 133 | 153 |
| Deferred capital grants released in the year | | |
| Equipment | 181 | 90 |
| | <u>6,514</u> | <u>4,339</u> |

iv.

| | 2005 | 2004 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| Service Increment and Teaching (SIFT) funding | 4,508 | 2,965 |
| Capital funding | 596 | 216 |
| | <u>5,104</u> | <u>3,181</u> |

This funding was receivable to cover HE expenditure attributable to the NHS aspects of the Peninsula Medical School.

v.

| | 2005 | 2004 |
|--------------------|--------------|--------------|
| | £ 000 | £ 000 |
| Other grant income | 103 | 149 |
| Other income | 2,888 | 1,353 |
| | <u>2,991</u> | <u>1,502</u> |

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

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

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected life of the equipment. The equipment capitalised

3. **Fixed Assets**

in this statement is solely acquired with funding made available from the HE Community Chest and the equipment is jointly owned by the two Universities. The principal items are teleomatics.

vii.

| | 2005 | 2004 |
|--------------------------------|--------------|--------------|
| | £ 000 | £ 000 |
| Debtors | 1,285 | 786 |
| Prepayments and accrued income | 1,634 | 1,978 |
| Due from NHS partners | 775 | 1,333 |



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