

“ The University is strongly placed for the increasingly challenging environment in Higher Education. ”

Sarah Turvill  
Chair of Council

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The UK Higher Education sector has entered an unprecedented era of change and uncertainty, so it is heartening to reflect on another successful year for the University, increasing our league table position in the UK, now ranked 7th by the Times and Sunday Times league tables and 154th in the Times Higher Education World University Rankings. In the 2014 National Student Satisfaction survey, the University achieved the highest level of student satisfaction among the 24 institutions in the Russell Group, the UK's elite group of research-intensive universities and 4th in the UK.

Now in my second year as Chair of the University's governing body, I can personally commend the outstanding commitment and professionalism of our staff who focus on delivering a learning experience second to none, undertake exciting and, in many cases, life-changing research and provide brilliant support to our talented staff and students.

Research income grew by 10% over the last year, and this was a critical year with our submission to the 2014 Research Excellence Framework – the national exercise that evaluates the quality of research, the outcomes of which will inform future league tables and the level of future research funding. We increased the proportion of our research under the science, technology, engineering and mathematics banner, returned more staff across all disciplines and included a higher proportion of women than the last exercise in 2008. Exeter has invested heavily in research in recent years, and our financial statements evidence the return in growing income streams while we now await the outcome of the 2014 REF. I anticipate that I will be able to report great news in next year's Annual Review.



Exeter is exceptionally well placed to address the new challenges.



In May, I attended the opening of a new £27.5m facility, the Research Innovation Learning and Development building on the campus of our health partner, the Royal Devon and Exeter NHS Trust. This will play an important part in the development of our Medical School, who admitted their first students in 2013. I am also pleased that we have been able to invest in upgrading facilities for the School on our St Luke's campus in Exeter.

SETSquared, a collaboration of five UK universities including Exeter, was named top University business incubator in Europe and 2nd in the world. This accolade coincides with the development of the first building on the Exeter Science Park, in partnership between the University and various local authorities, demonstrating the breadth and depth of excellence which pervades the University's activities.

In recent years one of our distinctive features has been our commitment to investment. This year we have not only completed the £27.5m RILD building but also The Russell Seal Fitness Centre. At Streatham, work is underway on the Living Systems Institute, at St Luke's Medical School, facilities are being upgraded and in Penryn, the Heart project and a science research facility are currently underway. Exeter will continue to invest, enabling us to attract and retain the best staff and students, helping them to perform to their highest potential.



**Sarah Turvill,**  
Chair of Council

## CONTENTS

### REVIEW OF THE YEAR

Chair's Foreword	2
Business Review	4
Public Benefit Statement	9

### GOVERNANCE

Corporate Governance and Statement of Internal Control	12
Responsibilities of the Council of the University	16
Membership of Council	17

### FINANCIAL STATEMENTS

Independent Auditor's report to the Council of the University of Exeter	18
Statement of Principal Accounting Policies	19
Consolidated Income and Expenditure Account	23
Statement of Consolidated Total Recognised Gains and Losses	24
Balance Sheets	25
Consolidated Cash Flow Statement	26
Notes to the Accounts	27

### FURTHER ANALYSIS

The following do not form part of the Statutory Financial Statements: Five Year Summary Accounts	64
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Living Systems Institute, a £52m leading interdisciplinary research centre.



HIGHLIGHTS<sup>1</sup>

PERFORMANCE

- Total income: **£304.5m** (£280.1m), up **8.7%**
- Historical cost surplus for the year: **£1.9m** (£3.5m)
- Earnings (EBITDA<sup>2</sup>): **£19.8m, 6.5%** of total income (£12.6m, 4.5% of total income)
- Staff cost ratio: **54.5%** of income (54.4%)

INVESTMENT

- Capital expenditure: **£40.3m** (£44.9m)
- Capital grants: **£7.3m** (£20.9m)

LIQUIDITY AND DEBT

- Total debt: **£203.8m** (£137.6m)
- Total cash and cash deposits: **£107.0m** (£58.6m)
- Net debt: **£96.9m** (£79.0m)

FINANCIAL STRENGTH

- Net current assets ratio: **2.13** (1.24)
- Net assets: **£540.2m** (£501.2m)

SCOPE OF THE FINANCIAL STATEMENTS

These Financial Statements cover the University of Exeter, its subsidiary undertakings and joint ventures and have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, (2007) and relevant financial reporting standards issued by the Financial Reporting Council.

RESULTS FOR THE YEAR

The results for the year reflect another strong performance by the University, with record levels of undergraduate recruitment, another year of strong growth in research income and an increased emphasis on cost control.

Total income increased by nearly 9% to £304.5m, driven by an increase in teaching income<sup>3</sup> of over 13% and an increase in research income<sup>4</sup> of nearly 11%.

<sup>1</sup> Comparative data for the prior year 2012/13 is shown in parenthesis throughout the Business Review

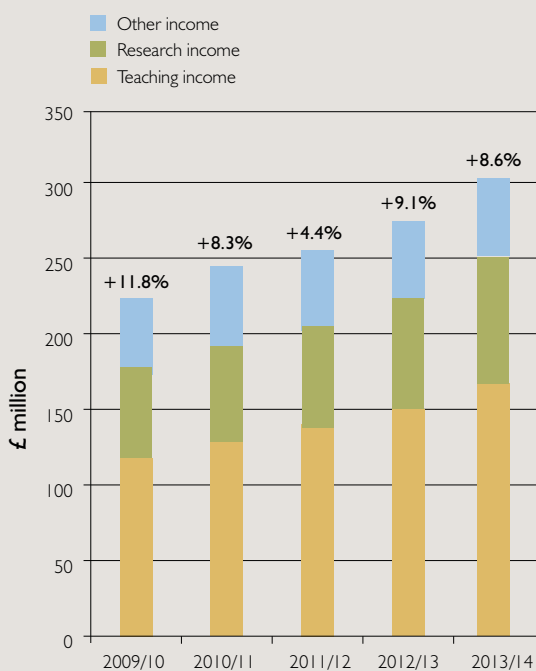
<sup>2</sup> EBITDA Earnings before Interest, Taxation, Depreciation and Amortisation, based on the definition set by the sector’s Financial Sustainability Strategy Group.

<sup>3</sup> Teaching income includes tuition fees (see Note 2) and recurrent teaching block grant (Note 1)

<sup>4</sup> Research income includes research grants and contracts (see Note 3) and recurrent research grant (Note 1)

BUSINESS REVIEW

Total Income

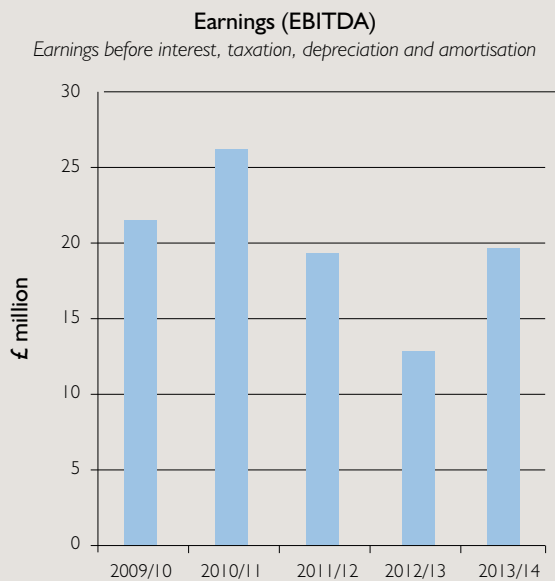


The year represented one of continued transition for the UK higher education sector, with a deregulated domestic market place, combined with on-going structural change in the way UK HE is funded, along with another year in which teaching block grant has continued to be reduced. This structural change in University funding, along with our strong student recruitment performance, is best illustrated by the 46% increase in home/EU undergraduate tuition fee income enjoyed in 2013/14, more than substituting for the 34% decrease in teaching block grant.

Research grants and contract income rose to £60.0m, up nearly 11%, while indirect-cost recovery was 27% of income (28%). The growth in income, combined with an emphasis on cost control, has resulted in earnings, EBITDA, increasing by £7m over the year, standing at £19.8m (£12.6m) or 6.5% of total income. This increase reverses the decline experienced in the two prior years and is part of a planned strategy to increase EBITDA in order to fund the University’s investment strategy.

<sup>3</sup> Research block grant and research grants and contracts income

<sup>4</sup> Teaching block grant and tuition fees



The increase in EBITDA of £7.3m over the year is matched by an increase in debt servicing costs of £6m as the University continues to deliver high levels of capital investment in facilities and as loan repayment holidays come to an end. Capital investment far exceeded that of its peers in recent years, and this is likely to continue over the next year or so as world-class teaching and research facilities are a prerequisite for the University to compete in the national and international market place.

The historic cost surplus for the year was £1.9m (£3.5m), with the prior year benefiting from a number of one-off material credits not repeated in 2013/14. The fall in historic cost surplus has been driven by a number of factors. There has been a reduced contribution from our INTO centre as we focus on increasing the quality of its student intake, one consequence of which is that student numbers have declined. Depreciation charges have also increased materially as a result of high levels of capital expenditure. The year also saw a one-off £1m impairment charge arising on two recently completed buildings.

After taking into account the impact of the revaluation of fixed assets and resultant higher depreciation charges that a revaluation brings, the financial statements show a deficit for the year of £1.6m (deficit of £1.1m in 2012/13) on a modified historic cost basis.

#### KEY PERFORMANCE INDICATORS (KPIs) <sup>5</sup>

The University has a particularly strong focus on performance management. To measure the degree to which we are fulfilling our strategic objectives, we use 10 KPIs benchmarked to a peer group of 10 institutions comprising:

- Bath
- Bristol
- Durham
- Edinburgh
- Lancaster
- Loughborough
- St Andrews
- UCL
- Warwick
- York

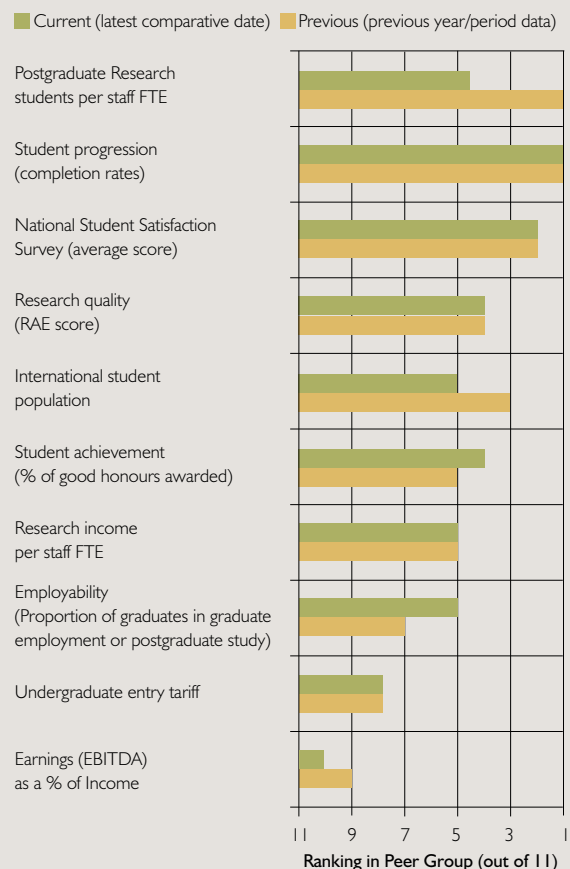
These universities are chosen because, like Exeter, they are research-intensive, offer a broad range of academic disciplines and are usually ranked in or around the top 10 in the majority of the UK league tables.

The University continues to compare well on student satisfaction and retention, and has improved its position on employability and student achievement compared to our peer group.

Earnings (EBITDA), as a percentage of total income are below our peers. The latest comparative data relates to 2012/13 when our EBITDA was 4.5% of total income. In 2013/14 this has increased to 6.5%, but until other universities publish their 2013/14 results we have no comparative data. The University has recently commenced a programme of activity aimed at increasing the level of surplus generated by the University in order to fund its ambitious investment plans.

#### Key Performance Indicators

Rankings in Peer Group



#### Sources

- HESA 2012/13 Student Return
- Destination of Leavers from Higher Education (DLHE) Survey 2013
- National Student Survey (NSS) 2014
- HESA 2012/13 Finance Return
- Research Assessment Exercise (RAE) 2008

<sup>5</sup> Ranking of comparative data is based on the latest publicly available data sets to ensure like-for-like comparisons. For example, financial KPIs are based on 2012/13 published data not 2013/14 data which is not yet published for comparator institutions.

## INVESTMENT, LIQUIDITY AND DEBT

The University has been a consistently high investor in its future, relative to its peers. This is an essential requirement in order to compete both within the UK and internationally. The deregulation of the domestic market for home/EU students has intensified competition and the £9k fee system is rightly making prospective students demand high quality facilities. Total capital expenditure in 2013/14 amounted to £40.3m (£44.9m), of which £7.3m (£20.9m) was financed by external capital grants.

Major projects completed within the year include the Research, Innovation, Learning and Development, or RILD, facility on the site of Royal Devon and Exeter NHS Trust (£19.8m total project cost), the Exchange facility on the Penryn campus (£10.6m), the Russell Seal Fitness Centre on the Streatham campus (£8.3m) and the major conversion of Hope and Lazenby Halls (£4.1m) from residential to office accommodation.

Major projects currently in the course of construction include the Living Systems Institute (£52.5m) on the Streatham campus, Medical School projects at the St Luke's campus (£12.7m) and the Science and Engineering Research Facility (£5.6m) at the Penryn campus.

High levels of capital investment are matched by levels of debt that are high relative to our peer group. In a deregulated and increasingly competitive market place, we believe investment is a key component in delivering competitive advantage that will underpin future financial strength.

In September 2013, the University completed a new £70m, 23 year loan facility with the European Investment Bank and drew the facility in full in order to secure an attractive fixed interest rate of 3.69% over its 23 year term. As a result, total debt increased from £137.0m to £202.9m. As the loan was drawn ahead of requirements, cash balances have increased by £48m over the year, standing at £107m as at 31 July 2014, and this also explains the large rise in net current assets over the year, from £18m to £82.2m. This is an issue of timing that has already begun to reverse itself as capital projects are delivered.

The University holds £25m of undrawn loan facilities, of which £10m is likely to be drawn within the next two years.

## PHILANTHROPY AND ENDOWMENTS

Exeter is currently in the pre-launch phase of the "What Inspires You Campaign" – a fundraising campaign that aims to raise £60m of additional philanthropic funds by 2020. This campaign is an 'integrated campaign' seeking philanthropic income from alumni; as well as from corporate partnerships and non-alumni sources. The campaign seeks to support the advancement of Exeter's strategic ambitions to become a World Top 100 university.

Money raised during the year can be shown in a variety of places throughout the Financial Statements and the table below brings these together, showing that in 2013/14 a total of £3.5m was given to the University:

	2013/14 £000	2012/13 £000
New Endowments included in <i>Endowments on the Balance Sheet</i>	2,238	2,609
Donations included in <i>Other Operating Income</i>	170	540
Donations included in <i>Deferred Capital Grants received on the Balance Sheet</i>	1,078	3,868
Total from Philanthropy	3,486	7,017

Endowment balances stood at £30.3m, of which £17.5m relates to a single endowment for the Institute of Arab and Islamic Studies.

The University's endowments delivered a return of 6.9%, net of fees, over the year, against the absolute return target set by the University of 6.5% (based on RPI+4%).

The University took advantage of new rules introduced by the Charity Commission, adopting a total return approach to determine the amount available for disbursement of our permanent endowments. This will enhance the amount which can be applied for charitable purpose, enabling the total return, comprising investment income and capital growth, to be spent on the objective of the endowment fund. The University has set the withdrawal rate of 3.75%, which it believes is the sustainable long-term rate of withdrawal that will protect the real value of the endowments whilst maximising the application of funds to their intended purpose.

## PENSIONS

Pensions are the biggest single liability and risk faced by the University.

Both the Universities Superannuation Scheme (USS) and the Exeter Retirement Benefit Scheme (ERBS) have significant scheme deficits, representing material liabilities for the University. Both schemes have entered into deficit recovery plans with the University. The University is also conducting a strategic review of ERBS to ensure that the scheme is financially sustainable, aiming to report back well before the start of its next valuation in April 2015. USS is currently finalising its valuation and we expect the scheme's deficit to increase significantly over the £2.9 billion for the sector, reported in March 2011. Employers are formulating proposals to reform the benefit structure of the scheme in order to be able to continue to fund an attractive and competitive benefits package for current and future staff. The valuation will be accompanied by a new deficit recovery plan which needs to be agreed by June 2015.

## RISKS

The Vice-Chancellor's Executive group has full responsibility for risk management within the University, and to strengthen the governance of risk, a new dual assurance portfolio for risk management has been created. The top three risks identified are:

**Infrastructure strategy:** the University's large capital programme is carefully managed, and sensitive to both programme and financial risk that this carries. Student numbers have also grown in 2013/14 and 2014/15 and this growth needs to be factored into future infrastructure planning.

**Internationalisation:** against a background of declining numbers of international post-graduate taught students entering the UK, the University has set itself high and challenging targets to increase student recruitment while being determined to maintain high entry standards both academically and for English language. In order to enhance global reputation and to continue to be a leading research power, international research collaboration is an essential requirement. The University is increasingly focused on what is sometimes referred to as the fourth age of research, in recognition that the best research generally arises out of international collaboration.

**Pensions:** the growing cost of funding pensions, the likelihood that future pension benefits will have to be curtailed, along with the potential for national level trade union disputes put pensions risks to the fore.

## FUTURE OUTLOOK

Student recruitment in 2014/15 has yet again been strong, exceeding the record undergraduate intake in 2013/14, offsetting international postgraduate recruitment which was below expectations. Overall, the University has met its tuition fee budget for 2014/15.

As the University starts the 2014/15 academic and financial year, it enters the third year of the home/EU undergraduate tuition fee system. The £9,000 fee has been pegged at this level without inflationary adjustment since inception and without any prospect of an inflationary uplift. Set against modest but rising inflationary pressures on our single biggest cost, staffing, a significant and accumulating funding challenge is fast approaching. The sector settled a pay award of 2% from 1 August 2014 in addition to the annual increments, promotions and re-grading, with no corresponding inflationary uplift on our biggest single income stream. In 2016 the sector will also face a significant increase in the cost of funding USS pension benefits along with an increase in employers' National Insurance already announced by the Government.

It seems likely that, post general election in May 2015, the new Government will have to conduct another fundamental review of higher education finance. Many believe the current funding system is unsustainable and will need radical reform.

In November 2013 the University made its submission into the 2014 Research Excellence Framework, the results of which will be published in December 2014 and its financial implications announced in March 2015. This is a key event for the University. Not only will the outcome of REF2014 feature in the construction of numerous future league tables, it is also expected to have a material impact on our finances. The University has been undertaking a prolonged period of strategic investment in its research base, yet current research block grant was set as a result of the previous RAE2008 exercise. Since RAE2008, research grant and contract income has risen by 80% over that five year period while research block grant has risen by only 28%, reflecting a funding lag between REF exercises. In effect, other universities of comparable research size and quality to Exeter, currently receive higher levels of research funding. We expect the outcome of REF2014 to increase our funding as the REF funding lag is eliminated and as we reap the return on our investment.

Capital investment will continue at a high level. Currently the Living Systems Institute, a major £52.5m multi-disciplinary science facility, is under construction and due for completion in October 2016.

The University has recently embarked upon a major exercise aimed at increasing its surplus, in part a response to the external forces that are driving margins down at sector level, but also as a means of ensuring the University protects its long-term financial position. This will consume considerable management energy over the next year or so, but is vital to ensure we are able to continue to invest to maintain our sector leading position.

Work is also underway on the new accounting standards that come into force from 2015/16. These will change the way we report our financial performance, with USS pension liabilities coming onto our balance sheet, losing the release of deferred capital grant to our surplus and incurring higher depreciation charges as our latest fixed asset valuation becomes a deemed cost. These changes are more likely to lead to deficits being reported in future years even though the cash flow being generated by University activities is unchanged.

Despite the many challenges facing the sector, Exeter is in a strong position. We look forward to the future, confident that as we continue to successfully deliver our strategy we will improve our standing and reputation to even higher levels.

### GOING CONCERN

In July 2014, Council approved the five year financial forecasts submitted to HEFCE, including income and expenditure, cash flow and balance sheet. Student recruitment in 2012/13 was at record levels and this was surpassed in 2013/14. Council is confident that it will be in a position to meet all of its financial obligations, cash commitments and banking covenants over the next 12 months and will continue to operate for the foreseeable future. These financial statements have been prepared and approved by Council on a going concern basis.

### DISCLOSURE OF INFORMATION TO AUDITORS

The Councillors who held office at the date of approval of the financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each Councillor has taken all the steps that he/she ought to have taken as a Councillor to make himself/herself aware of any relevant audit information and to establish that the University's auditors are aware of that information.

**Andrew Connolly**  
**Chief Financial Officer**  
**25 November 2014**



We look forward to the future, confident that as we continue to successfully deliver our strategy we will improve our standing and reputation to even higher levels.



## PUBLIC BENEFIT STATEMENT

The Royal Charter sets out the University of Exeter's charitable objectives which are primarily about the advancement of education. Our mission statement sets out how we act for the benefit of the public:

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

In the following pages each of these key elements are examined in greater detail.

*"We transform lives through the power of higher education".*

The University of Exeter is committed to an extensive outreach programme to students of all backgrounds, to help them recognise the benefits of higher education and to encourage them to aspire to gain a place at university. Our admissions policy is committed to ensuring that no student who can meet our entry requirements is deterred from applying and all applications are considered and evaluated on the basis of individual potential. Our aim is to admit aspiring students from all echelons of society and encourage them to achieve great things.

In 2013/14 there were 19,325 students at the University, of which 4,217 were postgraduates: some 70% of home/EU undergraduates came from state schools and 30% from independent schools.

For more than a decade, the University has been working at the forefront of a widening participation and fair access policy. In 2013/14 it set aside £10m to fund outreach activities and means-tested bursaries for undergraduate students from poorer backgrounds, including the National Scholarship Programme. A total of 3,275 undergraduate students received means tested support in 2013/14, representing 26% of Home/EU undergraduate students. Students can also apply for a number of course-specific scholarships and merit-based scholarships in music and sport.

Excellence in Exeter and the Cornwall Excellence Awards are annual events organised by the University of Exeter, aimed at forging links between the University and local schools and colleges as a way of encouraging young people to engage with higher education. Pupils' achievements, whether academic, in sports, the arts or community efforts are recognised and heralded by the parents, staff and fellow students at the event. The University hosts other showcase educational events for local schools and communities such as the Big Bang science celebration and Science in the Square in Falmouth.

Our Environment and Sustainability Institute is already making a positive impact just one year after opening, with ground-breaking findings in the fields of conservation and sustainability in Cornwall. It also works with local children, inviting them on to campus for various events, hoping to inspire them to consider a future career in academic research.

The University also contributes to local arts and cultural activities within Exeter and the wider community in Devon and Cornwall, including ongoing financial support for the Northcott Theatre. In October 2013, the first in the Arts and Culture Forum Lecture Series saw one of the Country's most distinguished contemporary novelists, Hilary Mantel, speak about the impulse to recover the past that lies behind her historical fiction. This was followed by an evening with 'Whispering' Bob Harris. The final lecture in this year's series was presented by Cornish artist Kurt Jackson.

Throughout the year, the Music Office work tirelessly to support student extra-curricular music. There is a continual programme of musical events, festivals and performances from orchestras to ceillidh. One of the highlights of this calendar is the upcoming War Song which is a musical collaboration between ExTunes and the Music Office to commemorate the 100th anniversary of the Great War.

The Arts and Culture team co ordinate a back-to-back series of exhibitions in the Forum Street. Last year saw artistic work from Stephen Paige's A Treatise on Beasts, Catherine Cartwright's How Clean are your Clothes? alongside exhibitions by student societies. This year saw the very successful exhibition of the Paris Fine Art Salon, curated by Dr Alister Mill of the Department of Modern Languages at the University of Exeter.

The University also runs Community Challenge, which entitles all University staff to one paid day in a 12-month period to undertake volunteering in the community. This has contributed to approximately 180 volunteering hours in 2013/14.

*"...A leading international university".*

The University of Exeter is one of the top 150 universities in the world according to the Times Higher Education's World University Rankings and was also awarded the Times Higher University of the Year Award in 2012/13. Its vision is to be a leading international university, recognised for the quality of its global research and the distinctiveness of its student experience.

The University's international student population represented around one quarter of all students at Exeter in 2013/14. Recruiting international students enriches the academic community by promoting awareness and understanding of different cultures, races and religions as well as contributing to the local and national economy.

## PUBLIC BENEFIT STATEMENT

We are proud to be able to attract students from more than 130 different countries and to employ staff from 76 countries. The University supports a wide diversification of social cultures by hosting free events such as Chinese New Year celebrations and Diwali which are open to all staff, students and local residents.

*"...we undertake groundbreaking research."*

The University seeks to undertake cutting-edge research, much of which creates a distinctive and measurable impact on society. It is one of the fastest growing research universities and has world-class research in all of its subject areas. Our research is often undertaken in partnership with governments, industry, charities and other social organisations which ensures that research is undertaken in response to societal need and results are used for the benefit of us all.

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

The portfolio of research under management has a value of c.£200m and during 2013/14 our income from research grants and contracts was £60m. This is forecast to continue growing rapidly over the next five years because of our continuing investment in new research staff and facilities.

In partnership with the Royal Devon & Exeter NHS Foundation Trust and part-funded by the Wellcome Trust and Wolfson Foundation, in June 2014 we celebrated the official opening of the £27.5m Research, Innovation, Learning and Development (RILD) building. Patient studies, laboratory studies and the education of health care professionals into new findings will all occur in a single building. It also provides a forum for students, researchers and clinicians to come together and ensure that medical research is relevant for the needs of the NHS and its patients.

In May 2014 the University hosted the largest UK conference on Climate Science involving key authors from the recent UN Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report. The conference included an evening session in which members of the public were given the opportunity to ask questions of the scientists.

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

A major £5.5m development at Penryn will see expansion for the University's Business School, Marine Renewables team and Centre for Ecology and Conservation.

The University is committed to the principles of the Athena SWAN Charter which aims to support and encourage gender equality within the STEM/M disciplines (Science, Technology, Engineering, Mathematics and Medicine). The University joined the Charter in June 2011 and received Bronze Status in March 2012. The University of Exeter Medical School (UEMS) and Sports and Health Science both have Silver awards. The combined departments of Biology and Geography (CLES Cornwall) at Penryn, along with Mathematics, Computer science and Psychology have achieved Bronze status in 2013.

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

The University has a student-focused philosophy emphasising the active engagement of students in all aspects of University life and developing their capacities as agents of change. The Exeter Experience is highly rated by students, placing the University joint fourth for overall student satisfaction in the UK National Student Survey and 7th in the UK in the 2014 Times and Sunday Times Good University Guide (GUG).

The quality of learning and teaching is central to the University's success. Its 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. It aims to ensure that all students graduate having been inspired by intellectual challenge to acquire expertise within and beyond their chosen academic field, demonstrating a range of core graduate attributes, as: an imaginative and critical thinker and problem solver; an active global citizen; a creative and enterprising team player; an engaged and participative leader able to effect change; and a confident, resilient and adaptable individual. This strong emphasis on the wider purpose of the University's educational provision and on the impact that its graduates make in the world, ensures public benefit long after our students graduate.

All disciplines pay close attention to the continuous improvement of the quality of learning and teaching. At its heart is a policy of appointing, developing and rewarding first class educators, and the creation of disciplinary communities of staff and students that foster a strong sense of belonging and a culture of quality and innovation. University-wide systems assure quality and see educators and students working together, supported by professional support staff, to monitor, review, plan and deliver first class education, with open and critical debate informed by multiple forms of evidence and data. That quality is overseen by central University boards, with implementation of the University's education strategy led by the Deputy Vice Chancellor for Education: and a central concern of all members of the University's Senior Management Group.

## PUBLIC BENEFIT STATEMENT

As part of the Exeter Experience itself, students are active in their local communities, providing thousands of hours of volunteering a year aimed at helping local elderly, disadvantaged and disabled people. The University, the Students' Guild in Exeter, and FXU in Penryn, work hard to integrate students into the local community through the use of special community wardens, residents' liaison groups and educational programmes around issues such as late night noise and refuse collection. In Exeter, existing community projects have been enhanced this year with the introduction of discipline-based volunteering schemes which link students to local residents via their academic specialisms. One of the most notable successes of the year has been Classics students supporting Exeter College to introduce the Classics A-Level course and organising activities on campus for these pupils to build aspiration to pursue the subject in higher education.

Students in Exeter are also taking the lead in the development of sustainability projects with funding and guidance from the Students' Guild's newly established Students' Green Unit. Students work closely with the University's academics and a wide range of local charities and partner organisations. To date, the project has provided almost £25,000 in funding to 17 student-led projects and, in May, was awarded the International Sustainable Campus Network Excellence Award for Student Leadership. Each project has goals to educate students, staff and local residents in order to facilitate behaviour change that will promote sustainability on campus and in the community.

The University offers opportunities for students to increase their employability through work experience, student business projects and volunteering opportunities. The 'Grand Challenges' programme is one example, which provides knowledge and understanding of our world-leading research and the impact it has, as well as a range of transferable skills to enhance employability. There is also the Exeter Award which helps students to gain skills that will enhance their career prospects.

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

The Exeter University Officer Training Corps provides a link between students and the British military. The unit runs the

Jubilee Challenge, part of the annual Ten Tors event, for special needs children and adults and supports various other charities such as DecAid and SSAFA.

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

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

The University of Exeter is committed to the principles and practice of environmental sustainability in its activities throughout the institution. It aims to reduce the environmental impact of its operational activities and makes a positive contribution to the local environment through the management of its estate. We have been recognised as one of the 'greenest' universities, attaining a First Class Award in the People & Planet Green League 2013 for the fifth year running. Both the Streatham and St Luke's campuses received a Green Flag award in 2013.

The University uses the BRE Environmental Assessment Method (BREEAM) as a tool for delivering sustainable buildings. All of its new developments aspire to achieving "BREEAM Excellent". The Environment and Sustainability Institute at the Penryn Campus achieved "BREEAM Outstanding".<sup>6</sup>

*"...and we make a real difference to the economy of the South West."*

The University of Exeter contributes not only economically to the region but also by providing a graduate workforce that raises productivity and stimulates economic growth. The future opportunity is to do more collaborative work with both business and government, exploiting and supporting regional specialisations, to deliver even more regional success for the South West.

In revenue terms, the University of Exeter contributes almost £600m each year to the region; and a study by independent economic analysts, Oxford Economics, recently confirmed that the University of Exeter and Falmouth University, who share and jointly manage the Penryn Campus, have contributed £491m to the economy of Cornwall and the Isles of Scilly between 2002 and 2012.

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

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

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

## PRINCIPLES OF OPERATION

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

## LEGAL STATUS OF THE UNIVERSITY

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

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

The University operates from three campuses: Streatham and St Luke's in Exeter, and Penryn in Cornwall.

## GOVERNANCE

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

- **The Council** – is the supreme governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. Council comprises 22 members, the majority of whom are drawn from outside the University, described as lay members. Council members are the trustees of the Charity. The Chair of Council is drawn from the lay membership. Representatives of staff and the student body are also members. No member of Council receives payment for fulfilling the role of member, although out of pocket expenses are payable. The Secretary of Council is the Chief Operating Officer. Council met seven times during 2013/14, including one away day.
  - **A Standing Committee of Council** has been established to consider urgent issues between meetings of Council. This Committee will not make major strategic decisions but will follow up any decisions of Council which need a governance overview e.g. in relation to completion of legal or financial agreements. The membership consists of the Pro-Chancellors, the Vice-Chancellor and Chief Executive, the Chief Operating Officer, the Senior Deputy Vice-Chancellor and a senior lay Member of Council. Officers such as the Chief Financial Officer may attend meetings. The Committee has not met during the financial year.
  - **The Senate** – is the academic authority of the University and draws its membership from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.
- Council has three committees: Audit Committee, Nominations Committee and a Remuneration Committee.
- **The Audit Committee** – is appointed by Council and consists of members with no executive responsibility for the management of the University. Its Chair during 2013/14 was the Pro-Chancellor (Finance). The Chair for 2014/15 will be a different member of council. The Committee is authorised to investigate any activity and seek any information it requires from any employee. The Committee is responsible for reviewing and commenting on the University's financial statements along with its arrangements for governance, internal control, risk management and for data assurance. The Committee considers detailed reports from the University's external and internal auditors. It meets four times a year with the University's senior officers and the external and internal auditors in attendance. At least once a year the Committee meets the auditors without the University officers present.
  - **The Council Nominations Committee** – is responsible for making recommendations to Council in relation to nominations for the posts of Chancellor, Pro-Chancellor and Chair of Council. It also makes recommendations in relation to the nominations for lay members of Council, to other Council committees and to joint Senate and Council committees as well as Trusts associated with the University. The Committee comprises five lay members, three of whom are the University's Pro-Chancellors, the Vice-Chancellor and the Senior Deputy Vice-Chancellor.
  - **The Remuneration Committee** – is responsible for setting the remuneration of all senior staff including the Vice-Chancellor, the Chief Operating Officer, other members of the Vice-Chancellor's Executive Group (VCEG), College Deans, Professors and senior staff

within the Professional Services. The Committee, which is chaired by the Chair of Council, comprises five lay members, the Vice-Chancellor and the Provost. Also in attendance, but not part of the committee, are the Chief Operating Officer and the Director of Human Resources who attend meetings in an advisory capacity. No member of staff is present for the discussion of their own remuneration. The Committee meets twice per year.

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

## DUAL ASSURANCE

The University's business is governed through a mechanism known as dual assurance operating in 14 business areas: finance and investment; research; human resources and health and safety; equality and diversity; infrastructure and environmental sustainability; information technology; education; internationalisation; risk; external affairs; corporate social responsibility; fundraising and alumni relations; sport and wellness and ethics. The dual assurance partnership in each of these business areas involves two people – a member of the Vice-Chancellor's Executive Group and a lay member of Council.

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

## REMUNERATION

At the beginning of the 2013/14 University year, the Remuneration Committee instructed the new Director of Human Resources to develop a new Reward Strategy for the University of Exeter. The need for a new Reward Strategy recognised that it was timely to review reward structures and arrangements introduced several years ago – particularly the initiatives which had been introduced to support the University's REF strategy - to ensure that the University's approach towards reward was fit for purpose in the next phase of the University's development.

The Committee met twice, in May and July 2014, to discuss the new Reward Strategy, which was presented to Council in July 2014. The new Reward Strategy sets out the following overarching principles:

- 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.
- minimise bureaucracy while maintaining governance.

To ensure appropriate governance and accountability, the Committee has reviewed its terms of reference to concentrate on executive reward and Council has agreed to delegate to a new Professorial and Senior Salaries Committee decisions on the remuneration of Professors and senior staff within the Professional Services. Remuneration Committee will monitor the decisions of this new Committee to ensure that they are consistent with the Reward Strategy, including the principle of equality. The division of the work previously undertaken by the Remuneration Committee – making decisions on the remuneration of approximately 300 employees – into two separate committees brings Exeter's arrangements into line with a number of other Russell Group institutions.

The Committee has agreed a new, more structured approach towards executive reward which balances the need to remain competitive in the market with Council's intention that a larger part of remuneration should be conditional upon performance. Under the new arrangements, which were implemented at the beginning of the 2014/15 University year, the University will pay a competitive salary based on the market median (informed by appropriate market intelligence) and, in addition, members of the Vice-Chancellor's Executive Group and College Deans will have the opportunity to earn significantly above the market median through the Executive Performance Reward Scheme. These senior managers will be considered for a performance reward each year, with part of the annual performance reward being conditional upon the University achieving annual corporate targets and part upon the role holder achieving annual personal targets agreed by the Committee. In addition, to recognise long-term performance, the Committee will set three year targets for 2014/15 to 2016/17, with the opportunity for a performance payment at the end of this three year period subject to achievement of the long-term targets.

These new arrangements will implement the Reward Strategy principles of rewarding excellence and balancing long-term objectives and achievements with short-term (annual) objectives and achievements.

The Committee has made decisions under the 2013/14 executive performance reward schemes to acknowledge the performance during 2013/14 of senior managers. These decisions were reported to Council in October 2014.

In addition, the Committee approved payments to 50 Professors under the Long Term Incentive Scheme introduced to retain key staff in the lead up to REF2014. Payments were conditional upon these Professors remaining in the employment of the University to 31 July 2014 (i.e. beyond the REF census date) and achieving research targets. In the event, 75% of the budget was paid. Only a small number of Professors covered by the scheme left before the REF2014 census date indicating that the scheme achieved its objectives.

The Committee has instructed the new Professorial and Senior Salaries Committee to develop proposals for the remuneration of Professors for implementation from the end of the current University year. Half of Russell Group institutions are now operating a 'banding' scheme for Professors. These arrangements will implement the Reward Strategy principles of transparency, equality and rewarding excellence and competency.

Under the Reward Strategy, the University has also commenced a review of reward for staff in Grades B to H with a view to developing a new approach towards rewarding excellence and competency for employees below the level of Professor. The new arrangements will be introduced during 2014/15.

To further improve accountability, governance and transparency, it has been agreed that a part of one meeting of Council each year will be reserved for lay members of Council to review the work of the Remuneration Committee.

## MANAGEMENT

### **Vice-Chancellor and Chief Executive**

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

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

### **Provost**

The Provost reports to the Vice-Chancellor, is responsible for the oversight of the University's educational affairs and activities and those of the Professional Services, and provides leadership to deliver the University strategy. This role is responsible for the planning and resource allocation in the University.

### **Vice-Chancellor's Executive Group (VCEG)**

The Vice-Chancellor's Executive Group comprises the senior management team of the University. Led by the Vice-Chancellor and Chief Executive, it comprises the Chief Operating Officer, four Deputy Vice-Chancellors, the Deputy Chief Operating Officer and Director of Academic Services, Chief Financial Officer, the Director of Communication and Corporate Affairs and the Director of Human Resources.

## COLLEGES AND PROFESSIONAL SERVICES

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

Professional Services, led by the Chief Operating Officer, covers all administrative, academic and student support services (excluding finance) and facilities management within the University. The Chief Operating Officer and the Chief Financial Officer report directly to the Provost.

## INTERNAL CONTROL AND RISK

As the governing body of the University of Exeter, Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to Council in the Charter and Statutes and the Financial Memorandum with HEFCE.

The system of internal control is designed to understand and manage, rather than eliminate, the risk of non-achievement of policies, aims and objectives; it can therefore only provide

reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to ensure they are managed. This process has been in place for the year ended 31 July 2014 and up to the date of approval of the financial statements.

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

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

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

The review of the effectiveness of the system of internal control is informed by the internal audit team which operates to standards defined in the HEFCE Audit Code of Practice.

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

## INTERNAL FINANCIAL CONTROL

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

- clear definitions of the responsibilities of, and the authority delegated to, the Vice-Chancellor, Deans of Colleges and the Chief Operating Officer;
- experienced and suitably qualified staff who take responsibility for the finance and control functions within the University and its subsidiary companies;
- a comprehensive medium and short term planning process supplemented by detailed annual income, expenditure and capital budgets and cash flow forecasts;
- monthly reviews of financial results involving variance reporting and updates of forecast outturns;

- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to detailed appraisal;
- Financial Regulations supplemented by a comprehensive Financial Handbook, detailing financial controls and procedures;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Council and whose head provides Council with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control, corporate governance and management of risk; and
- a treasury and investment management policy.

Council's review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee, the individual members of staff within the University who have responsibility for the development and maintenance of the financial control framework and comments made by the External Auditors in the management letter and in other reports.

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

## DISABLED EMPLOYEES

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

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

## REGISTER OF INTERESTS

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

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

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

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

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

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

- ensure that funds from the Higher Education Funding Council for England (HEFCE) and the National College for Teaching and Leadership (NCTL) are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Higher Education Funding Council and the funding agreement with the National College for Teaching and Leadership and any other conditions which the Funding Council and the NCTL may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and of the Group and to prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the University's resources and expenditure; and
- ensure that the key principles of effective risk management have been applied in line with the requirements of HEFCE's Accounts Direction.

The Corporate Governance Statement and Responsibilities of the Council of the University on pages 12 to 16 were approved by Council on 25 November 2014 and signed on its behalf by:



**S. Turvill**  
Chair of Council



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

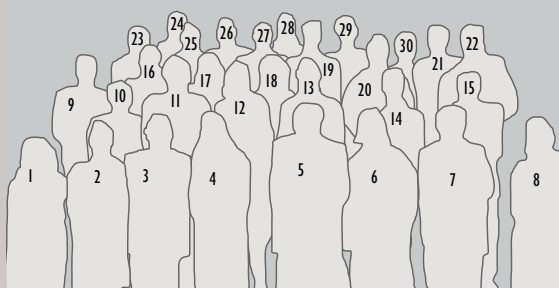


## MEMBERSHIP OF COUNCIL



### MEMBERS OF COUNCIL \*

*From left to right*



#### Front row:

- 1 Tracy Costello
- 2 Jacqui Marshall
- 3 Professor Stephen Tomlinson CBE\*
- 4 Professor Janice Kay\*
- 5 Professor Sir Steve Smith \*
- 6 Sarah Turvill\*
- 7 Christopher Pomfret\*
- 8 Professor Debra Myhill\*

#### Second row:

- 9 Professor Nick Kaye
- 10 Michele Shoebridge
- 11 Dr Andrew Shaw\*
- 12 Bettina Rigg\*
- 13 Professor Mark Goodwin
- 14 Dr Sarah Buck\*
- 15 Sir Robin Nicholson\*

#### Third Row:

- 16 Geoff Pringle
- 17 Judy Hargadon OBE\*
- 18 Rachael Gillies\*
- 19 Rhun Davies
- 20 Pete Hodges\*
- 21 Richard Hughes\*
- 22 Professor Nick Talbot\*

#### Top Row:

- 23 Professor Ken Evans\*
- 24 Sally Wilcox\*
- 25 Jane Chafer
- 26 John Allwood\*
- 27 Gerry Brown\*
- 28 Amanda Conroy\*
- 29 Peter Lacey\*
- 30 Andrew Connolly

Miss S Turvill (Chair)  
 Mr P Lacey  
 Mr R M P Hughes  
 Professor Sir S M Smith  
 Professor J M Kay  
 Professor N Armstrong  
 Professor N Talbot  
 Mr C J Allwood  
 Sir Robin Nicholson  
 Ms B Rigg  
 Dr S Buck  
 Mr N Bull  
 Professor K E Evans

*appointment ended 31 July 2014*  
*appointed 1 August 2014*

Ms J Hargadon OBE  
 Mr P Hodges  
 Mrs S Wilcox  
 Professor D Myhill  
 Ms H Barton  
 Ms A Conroy  
 Mr C Pomfret  
 Professor S Tomlinson CBE  
 Dr A M Shaw  
 Mr G Brown  
 Ms Rachael Gillies

*appointment ended 31 July 2014*

*appointed 1 January 2014*  
*appointed 1 August 2014*

**We have audited the group and University financial statements (the "financial statements") of the University of Exeter for the year ended 31 July 2014 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, Note of Historical Cost Results, Statement of Consolidated Total Recognised Gains and Losses, Consolidated Balance Sheet, Balance Sheet, Consolidated Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).**

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

#### RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITOR

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

#### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the

course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

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

#### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

#### Emma Holiday

for and on behalf of

#### KPMG LLP, Statutory Auditor

Chartered Accountants  
Plym House  
Plymouth  
PL6 8LT

26 November 2014

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## GENERAL

In accordance with FRS 18 'Accounting Policies' these accounting policies have been reviewed by the University's Council and are considered appropriate to the University's activities.

There was a prior year adjustment following a change in accounting policy for permanent endowment funds. Full details are included in note 14.

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments, and in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and applicable accounting standards. They conform to guidance published by the Higher Education Funding Council for England.

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, have been consolidated in the financial statements and details of these are provided in note 12. The University's share of the results in its joint ventures has been consolidated in the financial statements and details of these and the basis of consolidation are provided in note 13. Intra-group transactions are eliminated upon consolidation.

The activities of the University of Exeter Students' Guild have not been consolidated on the grounds that the University does not operate dominant or significant influence over its activities.

## RECOGNITION OF INCOME

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

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year

and any related contribution towards overhead costs.

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

Income from expendable endowments and donations is included in full in the Income and Expenditure Account.

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

Income from permanent endowments is recognised on a total return basis. Income is recognised to the extent of the relevant expenditure incurred during the year. Any realised gains or losses from dealing in the related endowment assets are retained within the endowment in the balance sheet as part of the unapplied total return.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

The University acts as an agent in the collection and payment of hardship funds and training bursaries from the funding bodies. Related receipts from HEFCE and the National College for Teaching and Leadership (NCTL) and subsequent disbursement to students are excluded from the income and expenditure account.

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

## FOREIGN CURRENCIES

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. Resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## PENSION SCHEMES AND OTHER POST-RETIREMENT BENEFITS

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and its employees.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The two principal pension schemes for University staff are the Universities Superannuation Scheme (USS) and the University of Exeter Retirement Benefits Scheme (ERBS). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

Both funds are valued every three years by professionally qualified independent actuaries. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes.

The assets of the USS scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the University is unable to separately identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Following FRS 17, the ERBS current service cost of providing retirement benefits to employees during the year is charged to the operating surplus or deficit in the year. The full cost of providing amendments to benefits in respect of past service is also charged to the operating surplus or deficit in the year. The expected return on the assets during the year based on the market value of scheme assets at the start of the financial year is included within other finance income. This also includes a charge representing the expected increase in the liabilities of the scheme during the year, arising from the liabilities of the scheme being one year closer to payment. Differences between actual and expected returns on assets during the year are recognised in the statement of recognised gains and losses in the year, together with differences from changes in assumptions. The net deficit on the ERBS is reported on the balance sheet within the pension liability.

Further information on both the USS and ERBS pension schemes and post-retirement benefits is disclosed in note 31.

The University also makes contributions to the National Health Service Pension Scheme (NHSPS) in respect of a small number of staff. The NHS Pension Scheme is valued every five years by the Government Actuary who specifies the contribution rate paid by the University. The Department of Health operates a notional fund for this scheme. The University has no liability for pensions or pension increases for past employees in this scheme. The scheme is not designed to be run in a way that would enable organisations to identify their share of the underlying scheme assets and liabilities.

Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the University of participating

in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

### RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research and development is written off to the income and expenditure account in the year in which it is incurred with the exception of any equipment or software that is capitalised in line with the University's accounting policies.

### TAXATION

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

### TANGIBLE FIXED ASSETS

#### Capitalisation

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

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

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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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.

### Valuation

Land and buildings are stated at valuation or, in the case of buildings in the course of construction or constructed since the last valuation, at cost. The basis of valuation is existing use value for non-specialised buildings, depreciated replacement cost for specialised buildings or, if appropriate and in certain circumstances, open market value. Assets held for sale are held at open market value.

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

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

### Depreciation

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

All depreciation is calculated on a straight line basis as follows:

#### Grant funded assets

Where assets are acquired or improved with the aid of specific grants, they are capitalised and depreciated in accordance with the policy above. The related grant is initially credited to a deferred capital grant account and later released to the income and expenditure account in line with the depreciation charge.

#### Investment properties

Interests in land and/or buildings that are held for their investment potential are included in the balance sheet at their market value without charging depreciation. An investment property is an interest in land and/or buildings:

- (a) in respect of which construction work and development have been completed; and
- (b) which is held for its investment potential, any rental income being negotiated at arm's length.

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

### Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations is treated as finance charges, which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

### 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. Any costs of maintaining and displaying the collection are reported in the Income and Expenditure Account in the year that they are incurred.

## CHARITABLE DONATIONS

### Unrestricted donations

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

### Endowment funds

Where charitable donations are to be invested for the benefit of the University as specified by the donors, these are accounted for as endowments.

There are three main types:

- 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.
- 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.
- restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.

#### Donations for fixed assets

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

#### Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

#### JOINT VENTURES

The University uses the gross equity method of consolidating joint venture entities in accordance with FRS9. The University's share of income and expenditure in joint venture entities is recognised in the consolidated income and expenditure account, and its share of assets and liabilities in joint venture entities is recognised in the consolidated balance sheet. Note 13 to the accounts provides additional information.

#### INVESTMENTS

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

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

The University operates total return accounting under which the return from permanent endowments is transferred to the Income and Expenditure account under a spending rule based on the estimated long term real rate of return, and is equal to the amount spent in the year from these endowments.

Income earned by the endowed assets and revaluation gains / losses are credited directly to the endowment. Surpluses or

deficits arising on the revaluation or realisation of endowment asset investments are added to, or subtracted from, the funds concerned.

#### FINANCIAL INSTRUMENTS

The University uses derivative financial instruments such as 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. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### STOCK

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

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

#### CASH FLOWS AND LIQUID RESOURCES

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

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

#### PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow. Contingent assets are disclosed by way of a note, where there is a probable, rather than virtually certain, asset arising from a past event.

UNIVERSITY OF EXETER  
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2014

	Note	Year Ended 31 July 2014		Year Ended 31 July 2013 Restated (Note 14)	
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	1		47,497		58,314
Tuition fees and education contracts	2		150,623		119,808
Research grants and contracts	3		60,071		54,346
Other income (incl. share of joint ventures)	4		62,279		64,051
Endowment and investment income	5		3,350		1,784
<b>Total income including joint ventures</b>			<b>323,820</b>		<b>298,303</b>
Less: Share of income from joint ventures	13		(19,360)		(18,182)
<b>Total income</b>			<b>304,460</b>		<b>280,121</b>
<b>EXPENDITURE</b>					
Staff costs	6		168,465		152,535
Other operating expenses	7		108,750		108,670
Depreciation	8	20,724		17,634	
Impairment of buildings	8	1,220		-	
			21,944		17,634
Interest payable	9		7,750		5,110
<b>Total expenditure</b>			<b>306,909</b>		<b>283,949</b>
<b>Operating (deficit)/surplus</b>			<b>(2,449)</b>		<b>(3,828)</b>
Share of operating surplus in joint ventures	13		499		1,632
<b>(Deficit)/surplus on continuing operations</b>			<b>(1,950)</b>		<b>(2,196)</b>
Surplus/(deficit) for the year transferred from accumulated income in endowment funds	15		387		1,057
<b>(Deficit)/surplus for the year</b>	10		<b>(1,563)</b>		<b>(1,139)</b>

The income and expenditure account in both years is in respect of continuing activities

**NOTE OF HISTORICAL COST RESULTS**

(Deficit)/surplus on continuing operations		(1,950)	(2,196)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	23	3,382	3,381
Release of fixed asset investment revaluation surpluses on disposal	23	17	1,596
Release of previous years property revaluation surpluses on current year disposals	23	464	700
<b>Historical cost surplus for the year</b>		<b>1,913</b>	<b>3,481</b>

UNIVERSITY OF EXETER  
STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2014

	<b>Note</b>	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 Restated (Note 14) £'000</b>
(Deficit)/surplus on continuing operations		(1,950)	(2,196)
Revaluation gain on tangible assets	23	45,104	524
Revaluation gain/(loss) on fixed asset investments	23	2,588	361
(Depreciation)/appreciation of expendable endowment asset investments	22	(272)	1,219
New endowments	21/22	2,236	2,609
Disposal of endowments	21/22	(1,113)	-
Other movements in endowments	21	653	2,889
Actuarial loss on pension scheme	31	(8,132)	(7,918)
Actuarial loss on pension scheme in joint venture	13	(797)	(219)
<b>Total recognised (losses)/gains in the year</b>		<b>38,317</b>	<b>(2,731)</b>

**Reconciliation**

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Opening reserves and endowments	357,624	360,355
Total recognised gains/(losses) for the year	38,317	(2,731)
<b>Closing reserves and endowments</b>	<b>395,941</b>	<b>357,624</b>



UNIVERSITY OF EXETER  
BALANCE SHEETS

As at 31 July 2014

	Note	Group		University	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Fixed assets</b>					
Tangible assets	11	663,080	600,199	663,070	600,176
Investments	12	7,330	5,534	7,532	5,744
Investments in joint ventures	13	3,048	5,245	-	-
		<b>673,458</b>	<b>610,978</b>	<b>670,602</b>	<b>605,920</b>
<b>Endowment asset investments</b>	15	30,265	29,148	30,265	29,148
<b>Current assets</b>					
Stock		436	807	434	805
Debtors – amounts falling due within one year	16	31,155	33,791	31,335	34,078
Debtors – amounts falling due after more than one year	17	16,459	-	16,459	-
Investments		30,276	1,500	30,276	1,500
Cash at bank and in hand		76,692	57,100	76,148	56,755
		<b>155,018</b>	<b>93,198</b>	<b>154,652</b>	<b>93,138</b>
<b>Creditors: amounts falling due within one year</b>	18	(72,819)	(75,204)	(72,514)	(75,087)
<b>Net current assets</b>		<b>82,199</b>	<b>17,994</b>	<b>82,138</b>	<b>18,051</b>
<b>Total assets less current liabilities</b>		785,922	658,120	783,005	653,119
<b>Creditors: amounts falling due after more than one year</b>	19	(219,140)	(136,751)	(219,140)	(136,751)
<b>Total net assets excluding pension liability</b>		566,782	521,369	563,865	516,368
Net pension liability	31	(26,551)	(20,189)	(26,551)	(20,189)
<b>NET ASSETS</b>		<b>540,231</b>	<b>501,180</b>	<b>537,314</b>	<b>496,179</b>
<b>Deferred capital grants</b>	20	144,290	143,556	144,290	143,556
<b>Endowments</b>					
Expendable	22	9,039	8,344	9,039	8,344
Permanent	21	21,226	20,804	21,226	20,804
		<b>30,265</b>	<b>29,148</b>	<b>30,265</b>	<b>29,148</b>
<b>Reserves</b>					
Income and expenditure reserve (excl. Pension reserve)		89,291	89,558	90,959	89,229
Pension reserve		(26,551)	(20,189)	(26,551)	(20,189)
Income and expenditure reserve (incl. Pension reserve)	24	62,740	69,369	64,409	69,040
Revaluation reserve	23	302,936	259,107	298,350	254,435
Total reserves		365,676	328,476	362,759	323,475
<b>TOTAL FUNDS</b>		<b>540,231</b>	<b>501,180</b>	<b>537,314</b>	<b>496,179</b>

The financial statements on pages 23 to 63 were approved by Council on 25 November 2014 and 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

For the year ended 31 July 2014

	Note	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 Restated (Note 14) £'000
Cash inflow from operating activities	25	24,209	9,758
Returns on investments and servicing of finance	26	(6,604)	(4,516)
Capital expenditure and financial investment	27	(36,454)	(12,081)
Management of liquid resources	28	(28,776)	11,830
Financing	29	67,217	19,024
<b>Increase in cash in the year</b>	30	<b>19,592</b>	<b>24,015</b>

**Reconciliation of net cash flow to movement in net debt**

		Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Increase in cash in the year	30	19,592	24,015
Cash inflow from new secured loans	29	(70,338)	(19,610)
Cash outflow from repayment of loans	29	4,116	703
Cash outflow/(inflow) from liquid resources	28	28,776	(11,830)
Movement in net debt in the year		(17,854)	(6,722)
Net debt at 1 August		(79,016)	(72,294)
<b>Net debt at 31 July</b>	30	<b>(96,870)</b>	<b>(79,016)</b>

## NOTES TO THE ACCOUNTS

### NOTE 1 FUNDING BODY GRANTS

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
HEFCE – Recurrent teaching grant	21,170	31,973
HEFCE – Recurrent research grant	19,200	19,281
HEFCE – Specific grants	3,890	3,535
National College for Teaching and Leadership (NCTL) – Recurrent grants	-	96
NCTL – Specific grants	417	64
Deferred capital grants released in year (note 20)	2,820	3,365
	<b><u>47,497</u></b>	<b><u>58,314</u></b>

### NOTE 2 TUITION FEES AND EDUCATION CONTRACTS

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Home/EU undergraduates: full-time	83,499	57,013
Home/EU undergraduates: part-time	18	29
Home/EU postgraduates: full-time	11,001	10,738
Home/EU postgraduates: part-time	2,987	2,485
International students	48,193	44,935
Non-credit bearing courses and other tuition fees	1,238	1,132
Research Training Support grants	3,687	3,476
	<b><u>150,623</u></b>	<b><u>119,808</u></b>

### NOTE 3 RESEARCH GRANTS AND CONTRACTS

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Research councils	24,402	20,550
UK based charities	4,990	5,152
UK central government, local authorities, health & hospital authorities	12,490	13,714
UK industry, commerce and public corporations	2,617	2,137
European Union governments	12,898	9,370
European Union industry and other bodies	731	1,261
Other grants and contracts	1,943	2,162
	<b><u>60,071</u></b>	<b><u>54,346</u></b>

Included above are deferred capital grants released in the year of £2.3m (2013: £1.1m) (see note 20)

## NOTES TO THE ACCOUNTS

### NOTE 4 OTHER INCOME

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Residences, catering and conferences	22,965	20,742
Other services rendered		
Validation fees	63	82
UK central government, local authorities and health	98	166
Others	2,155	1,244
Income from health authorities	3,084	4,275
Other operating income		
Other external grants	1,666	3,268
Summer schools, fair and degree day income	267	288
Donations and other fundraising	170	540
Erasmus	1,190	966
Sports and swimming pools	1,985	1,465
Externally recharged staff time	1,020	374
Supplies and services to external customers	872	3,080
Rental income and room hire	585	769
Income from JV – Falmouth Exeter Plus Limited (note 13)	11,315	9,123
Income from JV – INTO University of Exeter LLP (note 13)	8,045	9,059
Release of deferred capital grants (note 20)	1,467	3,254
Reversal of Landsbanki provision	-	1,038
Other income	5,332	4,318
	<b>62,279</b>	<b>64,051</b>

### NOTE 5 ENDOWMENT AND INVESTMENT INCOME

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 Restated (Note 14) £'000</b>
Income from expendable endowments (note 22)	880	202
Income applied to permanent endowments (note 21)	674	58
Income from short term investments	922	457
Income from fixed asset investments	17	59
Surplus on disposal of fixed asset investments	170	462
Net credit on pension scheme funds (note 31)	678	408
Other interest receivable	9	138
	<b>3,350</b>	<b>1,784</b>

The interest receivable from group undertakings that are not subsidiaries in the current year amounted to £Nil (2013: £Nil).

During the year, the University adopted a Total Return approach to the management of its permanent endowment funds (see Note 14). The endowment income figures have therefore been restated to recognise the proportion of the total investment return that has been applied to the permanent funds, in accordance with the University's distribution rate of 3.75%.

## NOTES TO THE ACCOUNTS

### NOTE 6 STAFF COSTS

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

	<b>Year Ended 31 July 2014 Number</b>	<b>Year Ended 31 July 2013 Number</b>
Academic staff	840	753
Research staff	549	491
Teaching fellows	210	200
Occasional lecturers	90	89
Support staff	2,155	2,046
Casuals	151	195
<b>Total</b>	<b>3,995</b>	<b>3,774</b>

#### Staff costs for the above persons:

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Salaries and wages	138,308	125,838
Social security costs	10,253	9,440
Pension costs (note 31)	19,904	17,257
	<b>168,465</b>	<b>152,535</b>

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>	<b>Year Ended 31 July 2012 £'000</b>
Emoluments of the Vice-Chancellor and Chief Executive:			
Non-performance related remuneration (including benefits in kind)	290	290	281
Performance related remuneration	58	-	54
Pension contributions to USS	52	52	52
	<b>400</b>	<b>342</b>	<b>387</b>

Emoluments for senior staff are determined by the Remuneration Committee as set out in the Corporate Governance and Internal Control Statement on pages 13 and 14. In 2012/13 the Vice-Chancellor and other members of the Vice-Chancellor's Executive Group declined to accept their bonus, to which they had a contractual right.

Lay members do not receive payment, apart from the reimbursement of expenses, for fulfilling their role as members of the governing body. Reimbursement of expenses amounted to £10,596 (2013: £10,577).

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

**NOTE 6 STAFF COSTS (cont.)**

	<b>Year Ended 31 July 2014</b>	<b>Year Ended 31 July 2013</b>
£100,000 – £109,999	33	19
£110,000 – £119,999	22	16
£120,000 – £129,999	10	7
£130,000 – £139,999	9	6
£140,000 – £149,999	8	3
£150,000 – £159,999	8	3
£160,000 – £169,999	3	1
£170,000 – £179,999	5	-
£180,000 – £189,999	-	1
£190,000 – £199,999	2	1
£280,000 – £289,999	-	1
£290,000 – £299,999	1	1
£340,000 – £349,999	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. One-off retention payments under the Long Term Incentive Scheme introduced to retain key Professors for REF2014 were paid to 49 Professors, 32 of whom are included in the above.

A member of staff included in the £140,000 – £149,999 band above received compensation for loss of office of £23,333 on an ex gratia basis. This was paid in full in 2013/14.



**NOTE 7 OTHER OPERATING EXPENSES**

	<b>Year Ended 31 July 2014</b>	<b>Year Ended 31 July 2013</b> Restated (Note 14)
	<b>£'000</b>	<b>£'000</b>
Residences, catering and conferences	9,884	11,615
Rents and rates	636	1,542
Heat, light, water and power	4,238	3,793
Repairs and general maintenance	10,367	8,545
Laboratory equipment and consumables	7,156	6,294
IT hardware, software and licences	2,129	1,829
Other equipment	7,052	8,419
Books and periodicals	3,905	3,901
Non-contract staff and external examiners	6,108	6,802
Administrative costs including postage and telephones	3,085	5,029
Insurances	532	539
Publicity, publications and student recruitment	3,159	3,680
Travel, accommodation, subsistence and hospitality	12,239	10,792
Fellowships, scholarships and prizes	22,131	19,117
Field courses and other student support	5,654	5,323
Legal, professional and consultancy fees	3,413	4,928
Auditor's remuneration	62	63
Auditor's remuneration in respect of non-audit services	32	33
Penryn Campus premises, academic support and administrative costs	4,085	4,125
Other expenses	2,883	2,301
	<b>108,750</b>	<b>108,670</b>

Included within legal, professional and consultancy fees is the internal audit fee for the University of £71,000 (2013: £71,000).

Included within Auditor's remuneration is the external audit fee for the University of £53,000 (2013: £53,000).

## NOTES TO THE ACCOUNTS

### NOTE 8 ANALYSIS OF EXPENDITURE BY ACTIVITY

2013/14

	<b>Staff Costs £'000</b>	<b>Other Operating Expenses £'000</b>	<b>Depreciation/ Impairment £'000</b>	<b>Interest Payable £'000</b>	<b>Total £'000</b>
Academic colleges	94,220	20,611	1,880	-	116,711
Academic services	15,550	11,916	4,167	-	31,633
Administration and central services	22,196	35,798	185	-	58,179
Premises	7,509	12,762	11,223	4,866	36,360
Residences, catering and conferences	6,058	9,874	2,232	2,884	21,048
Research grants and contracts	24,024	17,789	2,257	-	44,070
Other expenses – FRS17 adjustment	(1,092)	-	-	-	(1,092)
	<b>168,465</b>	<b>108,750</b>	<b>21,944</b>	<b>7,750</b>	<b>306,909</b>

The depreciation charge has been funded by:

Deferred capital grants released – buildings (note 20)	3,584
Deferred capital grants released – equipment (note 20)	2,959
Revaluation reserve released (note 23)	3,382
General income	10,799
	<b>20,724</b>

The impairment charge has been funded by:

General income	1,220
	<b>1,220</b>

2012/13

	<b>Staff Costs £'000</b>	<b>Other Operating Expenses £'000</b>	<b>Depreciation/ Impairment £'000</b>	<b>Interest Payable £'000</b>	<b>Total £'000</b>
					Restated (Note 14)
Academic colleges	84,610	21,564	1,823	-	107,997
Academic services	15,011	10,170	3,344	-	28,525
Administration and central services	19,712	35,929	199	-	55,840
Premises	7,217	12,802	8,896	2,237	31,152
Residences, catering and conferences	5,719	11,615	2,257	2,873	22,464
Research grants and contracts	21,158	16,590	1,115	-	38,863
Other expenses – FRS17 adjustment	(892)	-	-	-	(892)
	<b>152,535</b>	<b>108,670</b>	<b>17,634</b>	<b>5,110</b>	<b>283,949</b>



## NOTES TO THE ACCOUNTS

### NOTE 8 ANALYSIS OF EXPENDITURE BY ACTIVITY (cont.)

	<b>£'000</b>
The depreciation charge has been funded by:	
Deferred capital grants released – buildings	3,026
Deferred capital grants released – equipment	4,708
Revaluation reserve released	3,381
General income	6,519
	<b>17,634</b>

### NOTE 9 INTEREST PAYABLE

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
<b>On bank loans and overdrafts:</b>		
Repayable wholly or partly in more than five years	7,750	5,110
	<b>7,750</b>	<b>5,110</b>

### NOTE 10 (DEFICIT)/SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

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

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
University's deficit for the year on continuing operations	(665)	(1,420)
Surplus generated by subsidiary undertakings and joint ventures	(1,285)	(776)
	<b>(1,950)</b>	<b>(2,196)</b>
Consolidated (deficit)/surplus on continuing operations		
Deficit/(surplus) for the year transferred from accumulated income in endowment funds (note 15)	387	1,057
	<b>(1,563)</b>	<b>(1,139)</b>

## NOTES TO THE ACCOUNTS

### NOTE 11 TANGIBLE FIXED ASSETS

Group	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000		
<b>Cost or Valuation</b>				
At 1 August 2013	531,907	69,316	56,537	657,760
Additions	23,725	3,594	12,969	40,288
Disposals	(500)	-	(2,531)	(3,031)
Revaluation movements	12,053	1,837	-	13,890
Transfers	(13,993)	13,993	-	-
At 31 July 2014	<b>553,192</b>	<b>88,740</b>	<b>66,975</b>	<b>708,907</b>
<b>Depreciation</b>				
At 1 August 2013	23,468	2,275	31,818	57,561
Charge for the year (note 8)	10,895	1,707	8,122	20,724
Impairment – Historic cost	1,220	-	-	1,220
Impairment – Revaluation	2,070	112	-	2,182
Disposals	(21)	-	(2,443)	(2,464)
Revaluation movements	(29,448)	(3,948)	-	(33,396)
At 31 July 2014	<b>8,184</b>	<b>146</b>	<b>37,497</b>	<b>45,827</b>
<b>Net Book Value</b>				
At 31 July 2014	<b>545,008</b>	<b>88,594</b>	<b>29,478</b>	<b>663,080</b>
At 31 July 2013	508,440	67,041	24,718	600,199
Financed by capital grant	85,876	50,652	7,762	144,290
Other	459,132	37,942	21,716	518,790
At 31 July 2014	<b>545,008</b>	<b>88,594</b>	<b>29,478</b>	<b>663,080</b>

- At 31 July 2014 freehold and leasehold land and buildings included £11.4m (2013: £23.6m) in respect of buildings under construction.
- Included in the cost of freehold land and buildings is £1.1m (2013: £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 year.
- Long leasehold land and buildings comprise the University owned buildings on the Penryn Campus, which were acquired under a 125 year lease (115 years remaining).
- During the year the Research, Innovation, Learning and Development building on the Royal Devon and Exeter Hospital (Wonford) site in Exeter was completed. This is held under a Finance Lease agreement which has been fully paid in advance. A finance lease liability and the equivalent prepayment have been included on the balance sheet per the table below.

	£'000
Debtors: Amounts falling due within one year (note 16)	133
Debtors: Amounts falling due after more than one year (note 17)	16,459
Creditors: Amounts falling due within one year (note 18)	(133)
Creditors: Amounts falling due after more than one year (note 19)	(16,459)

## NOTES TO THE ACCOUNTS

### NOTE 11 TANGIBLE FIXED ASSETS (cont.)

University	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 August 2013	531,907	69,316	56,275	657,498
Additions	23,725	3,594	12,969	40,288
Disposals	(500)	-	(2,531)	(3,031)
Revaluation movements	12,053	1,837	-	13,890
Transfers	(13,993)	13,993	-	-
At 31 July 2014	<b>553,192</b>	<b>88,740</b>	<b>66,713</b>	<b>708,645</b>
<b>Depreciation</b>				
At 1 August 2013	23,468	2,275	31,579	57,322
Charge for the year	10,895	1,707	8,109	20,711
Impairment – Historic cost	1,220	-	-	1,220
Impairment – Revaluation	2,070	112	-	2,182
Disposals	(21)	-	(2,443)	(2,464)
Revaluation movements	(29,448)	(3,948)	-	(33,396)
Transfers	6	(6)	-	-
At 31 July 2014	<b>8,190</b>	<b>140</b>	<b>37,245</b>	<b>45,575</b>
<b>Net Book Value</b>				
At 31 July 2014	<b>545,002</b>	<b>88,600</b>	<b>29,468</b>	<b>663,070</b>
At 31 July 2013	508,439	67,041	24,696	600,176

The University adopts the policy of revaluing land and buildings every five years. The external Chartered Surveyors, Jones Lang LaSalle, performed an interim valuation as at 31 July 2014 on the basis of Existing Use Value 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.

The valuations at 31 July 2014 were as follows:

	<b>Group &amp; University £'000</b>
Freehold land and buildings	531,360
Long leasehold land and buildings	89,216

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

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

	<b>Group &amp; University £'000</b>
Freehold land and buildings	256,719
Long leasehold land and buildings	76,144

**NOTE 11 TANGIBLE FIXED ASSETS (cont.)**

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

The Bill Douglas Centre for the History of Cinema and Popular Culture holds one of the largest public collections of books, prints, artefacts and ephemera relating to the history and pre-history of cinema



## NOTES TO THE ACCOUNTS

### NOTE 12 INVESTMENTS

	Group		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Fine art collection	4,397	1,811	4,397	1,811
Library special collection	2,774	2,728	2,774	2,728
Listed investments	110	955	110	955
Subsidiary undertakings	-	-	210	210
Other investments	49	40	41	40
	<b>7,330</b>	<b>5,534</b>	<b>7,532</b>	<b>5,744</b>

The University's fine art collection of paintings, drawings, sculptures, furniture, silverware and ceramics was professionally valued during the year ended 31 July 2014 by external Fine Art Auctioneers and Valuers, Messrs. Bearnès Hampton and Littlewood, on an open market value basis. The amount of the valuation, including a piano valued at £75,000, is included in the table above.

Library special collections were professionally valued during the year ended 31 July 2014 by external Fine Art Auctioneers and Valuers, Messrs. Bearnès Hampton and Littlewood, on an open market value basis. The amount of the valuation is detailed above.

Listed investments comprise quoted stocks, the majority of which are managed by our external investment managers J.P. Morgan International Bank Ltd. These investments have been valued as at 31 July 2014. During the year most of these investments were disposed of in favour of cash holdings.

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

<i>Directly owned Indirectly owned</i>	Group Holding	Shareholding	Principal business activity
UOE Consulting Limited	100%	60,110 Ordinary £1	Consultancy activities
UEC Enterprises Limited	100%	1,000 Ordinary £1	Consultancy activities
Peninsula Innovations Limited	100%	2 Ordinary £1	Property management
ESI Enterprises Limited	100%	1 Ordinary £1	Dormant 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.

**NOTE 12 INVESTMENTS (cont.)**

Other investments of the University comprise the following:

<i>Name</i>	<i>Holding</i>
Attomarker Limited	7 Ordinary £1 shares
Auxetix Limited	107,143 Ordinary £0.01 shares
CVCP Properties Plc	37,355 Ordinary £1 shares
Exeter Nanobacteria Limited	200 Ordinary £0.10 shares
Exeter Science Park Limited	67,474 Ordinary £10 shares
Industrial Tomography Systems Plc	249,564 Ordinary £0.01 shares
Simpleware Limited	100 Ordinary £1 shares
Skipworth Engelhardt Asset Management Strategists Limited	161 Ordinary "A" £1 and 405 Deferred £1 shares

Shares in Exeter Science Park Ltd are held at nil value in the balance sheet, reflecting the uncertainty and remoteness of a return on investment.

UoE Consulting Limited also holds the following investments:

<i>Name</i>	<i>Holding</i>
Full Scale Dynamics Limited	8,000 Ordinary £1 shares

**The Exeter University Foundation**

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

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



**NOTE 13 INVESTMENT IN JOINT VENTURES**

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

The University holds a 50% share of FX+ Ltd, a company limited by guarantee, having no share capital and being an exempt charity. FX+ Ltd is a joint venture company with two members - the University and Falmouth University. FX+ Ltd is a separate entity, but a linked charity of the University.

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.

Tremough Development Vehicle Limited (TDV Ltd) is a 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**

The University holds a 100% share of Exeter ISC Limited. Exeter ISC Limited, in turn, holds a 50% share of INTO University of Exeter LLP, a limited liability partnership. INTO University of Exeter LLP is a joint venture partnership with INTO University Partnerships Limited and the remaining 50% share is owned by INTO Exeter Limited, a wholly owned subsidiary of INTO University Partnerships Limited.

INTO University of Exeter LLP was formed in December 2006 and operates from the University of Exeter's Streatham campus. Its principal activity is the provision of English language and pre-university foundation, diploma and pre-masters' courses. Its principal place of business is INTO Building, Stocker Road, Exeter, EX4 4PY.

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

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

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

	<b>Group</b>	
	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
<b>Share of income:</b>		
Falmouth Exeter Plus Ltd	11,315	9,123
INTO University of Exeter LLP	8,045	9,059
	<b>19,360</b>	<b>18,182</b>
<b>Share of operating surplus:</b>		
Falmouth Exeter Plus Ltd	134	(57)
INTO University of Exeter LLP	365	1,689
	<b>499</b>	<b>1,632</b>

**NOTE 13 INVESTMENT IN JOINT VENTURES (cont.)**

	<b>Group</b>	
	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
<b>Share of statement of recognised gains and losses</b>		
Falmouth Exeter Plus Ltd	797	219
INTO University of Exeter LLP	-	-
	<u>797</u>	<u>219</u>
<b>Share of gross assets:</b>		
Falmouth Exeter Plus Ltd	35,103	35,221
INTO University of Exeter LLP	5,945	7,759
	<u>41,048</u>	<u>42,980</u>
<b>Share of gross liabilities:</b>		
Falmouth Exeter Plus Ltd	(32,361)	(31,815)
INTO University of Exeter LLP	(5,639)	(5,920)
	<u>(38,000)</u>	<u>(37,735)</u>
<b>Share of net assets:</b>		
Falmouth Exeter Plus Ltd	2,742	3,406
INTO University of Exeter LLP	306	1,839
	<u>3,048</u>	<u>5,245</u>

**NOTE 14 PRIOR YEAR ADJUSTMENT – PERMANENT ENDOWMENTS**

The prior year adjustment represents the changes required to the 2012/13 accounts to reflect the introduction of Total Return Accounting for 2013/14

The breakdown of permanent endowment reserves at the start of the year has been restated as follows:

	<b>Total £'000s</b>
At start of year as previously stated:	
Capital	19,950
Accumulated income	854
<b>Opening Balance</b>	<u><b>20,804</b></u>
At start of year, revised basis:	
Original cost	9,295
Unapplied Total Return	11,509
<b>Restated Opening Balance</b>	<u><b>20,804</b></u>



## NOTES TO THE ACCOUNTS

### NOTE 14 PRIOR YEAR ADJUSTMENT (cont.)

The Income and Expenditure account has been restated as follows:

	<b>Consolidated £'000s</b>	<b>University £'000s</b>
Income and Expenditure reserves (incl Pension reserve at 1 August 2012)	72,968	72,552
Retained deficit for 2012/13	(1,139)	(1,184)
Release from revaluation reserve	5,677	5,590
Pension liability – actuarial loss	(8,137)	(7,918)
Decreased income recognised from permanent endowments	(239)	(239)
Decreased costs recognised from permanent endowments	82	82
Increased transfer from accumulated endowment reserves	157	157
<b>Income and Expenditure reserves at 31 July 2013</b>	<b>69,369</b>	<b>69,040</b>

### NOTE 15 ENDOWMENT ASSET INVESTMENTS – Group and University

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
<b>At 1 August – as previously reported</b>	<b>29,148</b>	<b>23,488</b>
Prior year adjustments (note 14)	-	-
<b>At 1 August</b>	<b>29,148</b>	<b>23,488</b>
New endowments invested	2,238	2,609
Disposal of endowment funds	(1,115)	-
Increase/(decrease) in market value of investments	381	4,108
Surplus/(deficit) for the year transferred to accumulated income in endowment funds	(387)	(1,057)
<b>Balance at 31 July</b>	<b>30,265</b>	<b>29,148</b>
The investments comprise funds invested in:		
Fixed interest stocks	4,553	6,302
Equities	20,406	18,923
Property	-	713
Alternative investments	3,754	2,884
Miscellaneous Assets	290	282
Bank balances	1,262	44
	<b>30,265</b>	<b>29,148</b>

## NOTES TO THE ACCOUNTS

### NOTE 16 DEBTORS

	Group		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
<b>Amounts falling due within one year:</b>				
Debtors	10,234	12,770	10,415	13,014
Prepayments and accrued income	20,647	20,064	20,629	20,029
Amounts owed by group undertakings:				
Subsidiary companies	-	-	17	78
Related parties	274	957	274	957
	<u>31,155</u>	<u>33,791</u>	<u>31,335</u>	<u>34,078</u>

### NOTE 17 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Finance lease prepayment	16,459	-	16,459	-
	<u>16,459</u>	<u>-</u>	<u>16,459</u>	<u>-</u>

### NOTE 18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Research grants received on account	30,594	24,530	30,594	24,530
Trade creditors	11,294	10,253	11,092	10,189
Other creditors	17,094	22,892	17,094	22,892
Social security and other taxation payable	4,456	3,439	4,456	3,439
Bank loans and overdrafts	3,823	3,823	3,823	3,823
Accruals and deferred income	5,558	9,125	5,435	9,024
Amounts owed to group undertakings:				
Subsidiary companies	-	-	20	48
Related parties	-	1,142	-	1,142
	<u>72,819</u>	<u>75,204</u>	<u>72,514</u>	<u>75,087</u>

**NOTE 19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (cont.)**

	Group		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Bank loans (see below)	199,088	133,167	199,088	133,167
Inherited Liability – Cornwall County Council	-	13	-	13
Finance lease creditor	16,459	-	16,459	
Other creditors	656	609	656	609
Accruals and deferred income	2,937	2,962	2,937	2,962
	<b>219,140</b>	<b>136,751</b>	<b>219,140</b>	<b>136,751</b>

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
i) Total bank loans – Group and University		

Bank loans are repayable as follows:

In less than one year	3,823	3,823
In one to two years	3,823	3,823
In two to five years	22,244	11,469
In five years or more	173,021	117,875
	<b>202,911</b>	<b>136,990</b>



## NOTES TO THE ACCOUNTS

### NOTE 19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (cont.)

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

	Facility £'000	Interest Rate %	Repayment	Term	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
<b>National Westminster Bank Plc</b>	100,000					
Tranches 1 and 2		5.54	Quarterly	35 years (to 2043)	30,455	31,514
Tranche 3		5.40	Quarterly	35 years (to 2043)	19,386	20,061
Tranches 4 and 5		1-month LIBOR +0.18%	Quarterly	30 years (to 2043)	30,667	31,734
<hr/>						
<b>Barclays Bank Plc</b>	65,000					
Tranches 1 and 2		5.53	Quarterly	35 years (to 2043)	19,562	20,413
Tranche 3		5.41	Quarterly	35 years (to 2043)	9,841	10,268
Tranche 4		4.39	Quarterly	34 years (to 2043)	10,000	10,000
Tranche 5		4.65	Quarterly	32 years (to 2043)	10,000	10,000
Tranche 6		1-month LIBOR +0.20%	Quarterly	30 years (to 2043)	3,000	3,000
<hr/>						
<b>European Investment Bank</b>	70,000	3.69	Quarterly	23 years (to 2026)	70,000	-
					<b>202,911</b>	<b>136,990</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.

Interest rates shown in the 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 at 31 July 2014 is a £26.7m liability (2013: £26.6m liability).

At 31 July 2014, the University had £25m (2013: £25m) undrawn of its £165m loan facilities. It is intending to draw £10m in future years, retaining a £15m revolving credit facility to utilise for short-term working capital.

**NOTE 20 DEFERRED CAPITAL GRANTS – GROUP AND UNIVERSITY**

	<b>Funding Council £'000</b>	<b>Other Grants £'000</b>	<b>Total £'000</b>
<b>At 1 August 2013</b>			
Land and buildings	58,884	76,664	135,548
Equipment	<u>4,869</u>	<u>3,139</u>	<u>8,008</u>
	<b>63,753</b>	<b>79,803</b>	<b>143,556</b>
Grants receivable			
Land and buildings	1,761	2,803	4,564
Equipment	<u>-</u>	<u>2,713</u>	<u>2,713</u>
	<b>1,761</b>	<b>5,516</b>	<b>7,277</b>
Released to Income and Expenditure Account			
Land and buildings	(1,802)	(1,782)	(3,584)
Equipment	<u>(1,018)</u>	<u>(1,941)</u>	<u>(2,959)</u>
	<b>(2,820)</b>	<b>(3,723)</b>	<b>(6,543)</b>
<b>At 31 July 2014</b>			
Land and buildings	58,843	77,685	136,528
Equipment	<u>3,851</u>	<u>3,911</u>	<u>7,762</u>
	<b>62,694</b>	<b>81,596</b>	<b>144,290</b>
Released to Income and Expenditure Account:			
Funding body grants	2,820		
Research grants and contracts	2,256		
Other income	<u>1,467</u>		
	<b>6,543</b>		



## NOTES TO THE ACCOUNTS

### NOTE 21 PERMANENT ENDOWMENTS – GROUP AND UNIVERSITY

	Restricted Permanent 2014	Unrestricted Permanent 2014	Year Ended 31 July 2014 Total	Year Ended 31 July 2013 Total Restated
	£'000	£'000	£'000	£'000
<b>At 1 August:</b>				
Original gift	9,295	-	9,295	8,763
Unapplied Total Return	11,509	-	11,509	8,620
	<b>20,804</b>	<b>-</b>	<b>20,804</b>	<b>17,383</b>
New endowments	-	365	365	595
Disposal of endowments	(595)	-	(595)	-
Transfer to expendable endowments	-	-	-	(63)
	(595)	365	(230)	532
Investment income	221	2	223	297
Released to I&E	(674)	-	(674)	(58)
	(453)	2	(451)	239
Increase/decrease in market value of endowment asset investments	1,085	18	1,103	2,650
	1,085	18	1,103	2,650
<b>At 31 July:</b>				
Original gift	8,700	365	9,065	9,295
Unapplied Total Return	12,141	20	12,161	11,509
	<b>20,841</b>	<b>385</b>	<b>21,226</b>	<b>20,804</b>
Representing:				
Permanent Restricted Fund			3,394	3,202
Exeter Forever Fund			385	-
Lazenby Trust			-	712
Institute for Arab & Islamic Studies			17,447	16,890
			<b>21,226</b>	<b>20,804</b>

#### Permanent Restricted Fund

The permanent restricted fund comprises 80 separate funds that are used for scholarships, prizes and general educational support.

#### Lazenby Trust

The Lazenby Trust endowment provides support for the Chaplaincy activities at the University. This endowment fund was transferred to St Luke's College Foundation, an independent trust, during 2013/14.

#### Institute for Arab and Islamic Studies Fund (IAIS)

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

#### Exeter Forever Fund

The Exeter Forever Fund is a new permanent unrestricted endowment aligned to the University's strategic priorities and areas of greatest need.

# NOTES TO THE ACCOUNTS

## NOTE 22 EXPENDABLE ENDOWMENTS – GROUP AND UNIVERSITY

		<b>Year Ended 31 July 2014</b>	<b>Year Ended 31 July 2013</b>
		<b>Total £'000</b>	<b>Total £'000</b>
<b>At 1 August</b>		<b>8,344</b>	<b>6,105</b>
At 1 August	Capital	8,069	5,877
	Accumulated Income	275	228
		<b>8,344</b>	<b>6,105</b>
New endowments		1,873	2,014
Transfers between endowment funds		-	63
Disposal of endowments		(519)	-
		<b>1,354</b>	<b>2,077</b>
Investment income		880	202
Expenditure		(1,267)	(1,259)
		<b>(387)</b>	<b>(1,057)</b>
Increase/(decrease) in market value		(454)	1,219
Profit/(loss) on disposal		183	-
<b>At 31 July</b>	Capital	8,758	8,069
	Accumulated Income	281	275
		<b>9,039</b>	<b>8,344</b>
Representing:	Expendable fund	8,282	7,166
	Vandervell	757	1,178
		<b>9,039</b>	<b>8,344</b>

### Vandervell Fund

This endowment is earmarked for postdoctoral Fellowships within the Medical School. Part of the fund was transferred to the University of Plymouth during 2013/14 following the disaggregation of the Peninsula College of Medicine and Dentistry.

### Expendable Fund

The expendable fund comprises 233 separate funds which were donated for a specified purpose, with no restriction to retain as capital. Income is also attributable to the gift until such time as it is expended.

## NOTES TO THE ACCOUNTS

### NOTE 23 REVALUATION RESERVE

Group	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
At 1 August 2013	254,452	4,655	259,107
Revaluation in the year			
Fixed assets – Land and Buildings	45,104	-	45,104
Fixed assets investments – Quoted shares	-	(44)	(44)
Fixed assets – Fine Art	-	2,586	2,586
Fixed assets – Library Special Collection	-	46	46
	<u>45,104</u>	<u>2,589</u>	<u>47,693</u>
Transfer from revaluation to general reserve:			
Released on disposal	(464)	(17)	(481)
Depreciation on re-valued assets	<u>(3,382)</u>	<u>-</u>	<u>(3,382)</u>
	<u>(3,846)</u>	<u>(17)</u>	<u>(3,863)</u>
<b>At 31 July 2014</b>	<b><u>295,710</u></b>	<b><u>7,226</u></b>	<b><u>302,936</u></b>

University	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
At 1 August 2013	249,780	4,655	254,435
Revaluation in the year			
Fixed assets – Land and Buildings	45,104	-	45,104
Fixed assets investments – Quoted shares	-	(44)	(44)
Fixed assets – Fine Art	-	2,586	2,586
Fixed assets – Library Special Collection	-	46	46
	<u>45,104</u>	<u>2,588</u>	<u>47,692</u>
Transfer from revaluation to general reserve:			
Released on disposal	(464)	(17)	(481)
Depreciation on re-valued assets	<u>(3,296)</u>	<u>-</u>	<u>(3,296)</u>
	<u>(3,760)</u>	<u>(17)</u>	<u>(3,777)</u>
<b>At 31 July 2014</b>	<b><u>291,124</u></b>	<b><u>7,226</u></b>	<b><u>298,350</u></b>



## NOTES TO THE ACCOUNTS

### NOTE 24 INCOME AND EXPENDITURE RESERVE

	Group		University	
	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Balance at 1 August	69,367	72,968	69,040	72,552
(Deficit)/surplus for the year	(1,563)	(1,139)	(276)	(1,184)
Transfers from revaluation reserve	3,863	5,677	3,777	5,590
Actuarial loss on pension schemes	(8,929)	(8,137)	(8,132)	(7,918)
Balance at 31 July	<b>62,740</b>	<b>69,369</b>	<b>64,409</b>	<b>69,040</b>

### NOTE 25 RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT)/SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Deficit for the year	(1,563)	(1,139)
Joint venture profit	(499)	(1,632)
Joint venture distribution received	1,899	903
FRS 17 – Pension adjustment	(1,092)	(892)
Depreciation (note 8)	20,724	17,634
Impairment of land and buildings (note 11)	1,220	-
Deficit on disposal of tangible fixed assets	522	135
Deferred capital grants released (note 20)	(6,543)	(7,734)
Endowment and investment income (note 5)	(3,350)	(1,784)
Interest payable (note 9)	7,750	5,110
Increase in stock	371	(314)
(Increase)/decrease in debtors	4,125	(7,061)
Increase/(decrease) in creditors	645	6,532
Net cash inflow from operating activities	<b>24,209</b>	<b>9,758</b>

## NOTES TO THE ACCOUNTS

### NOTE 26 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Income from short term investments	835	458
Other interest received	9	138
Interest paid	<u>(7,448)</u>	<u>(5,112)</u>
Net cash outflow from returns on investments and servicing of finance	<b><u>(6,604)</u></b>	<b><u>(4,516)</u></b>

### NOTE 27 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Purchase of tangible assets	(43,911)	(44,176)
Payments to acquire endowment assets	<u>(2,245)</u>	<u>(2,014)</u>
Total fixed and endowment assets acquired	(46,156)	(46,190)
Receipts from the sale of tangible assets	44	2,908
Receipts from the sale of long term investments	989	5,734
Receipts from the sale of endowment assets	1,834	482
Endowments disposed	(1,113)	-
Deferred capital grants received	5,712	22,971
Endowments received	<u>2,236</u>	<u>2,014</u>
Net cash outflow from capital expenditure and financial investment	<b><u>(36,454)</u></b>	<b><u>(12,081)</u></b>

### NOTE 28 MANAGEMENT OF LIQUID RESOURCES

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Cash invested in/(withdrawn from) short term deposits	<u>28,776</u>	<u>(11,830)</u>
Net cash inflow from management of liquid resources	<b><u>28,776</u></b>	<b><u>(11,830)</u></b>

### NOTE 29 FINANCING

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
New loans	70,338	19,610
Income from Landsbanki	<u>995</u>	<u>117</u>
	71,333	19,727
Repayment of amounts borrowed	<u>(4,116)</u>	<u>(703)</u>
Net cash inflow from financing	<b><u>67,217</u></b>	<b><u>19,024</u></b>

## NOTES TO THE ACCOUNTS

### NOTE 30 ANALYSIS OF CHANGES IN NET DEBT

	<b>At 1 August 2013 £'000</b>	<b>Cash Flows £'000</b>	<b>At 31 July 2014 £'000</b>
Cash in hand and at bank	57,100	19,592	76,692
Current asset investments	<u>1,500</u>	<u>28,776</u>	<u>30,276</u>
	58,600	48,368	106,968
Debt due within 1 year	(3,826)	(268)	(4,094)
Debt due after 1 year	<u>(133,790)</u>	<u>(65,984)</u>	<u>(199,744)</u>
	<b><u>(79,016)</u></b>	<b><u>(17,854)</u></b>	<b><u>(96,870)</u></b>

### NOTE 31 PENSION SCHEMES

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

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

The University also makes contributions to the NHS Pension Scheme (NHSPS) and the National Employer Savings Trust pension scheme (NEST) in respect of a small number of staff.

#### (i) Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. The triennial valuation was carried out using the projected unit method. To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for three years following the valuation then 2.6% per annum thereafter.

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

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

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation took place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

**NOTE 31 PENSION SCHEMES (cont.)**

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure, however an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level as at 31 March 2014 under the scheme specific funding regime had fallen from 92% to 85%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

At 31 July 2014, USS had over 148,000 active members and the University had 2,679 active members participating in the scheme.

The total pension cost for the University was £16.3m (2013: £14.4m). This includes £1.4m (2013: £1.3m) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

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

The last actuarial valuation of the scheme was dated 5 April 2012. 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 the employer's contributions to 22.5% (from 19%) from 1 August 2013 in order to fund the projected shortfall. The employee contribution rate has also increased to 7.5% (from 6.25%) as from 1 October 2013. The assumptions and other data, which have the most significant effect on the determination of contribution levels, are as follows:

<b>Latest Actuarial Valuation</b>	<b>5 April 2012</b>
Investment return – past service per annum	7.80%
Investment return – future service per annum	5.80%
Pensionable salary increases per annum	3.90%
Rate of RPI price inflation	3.40%
Rate of CPI price inflation	2.65%
Actuarial value of assets at date of last valuation	£79.4m
Value of past service liabilities	£108.9m
Proportion of members' accrued benefits covered by the actuarial value of the assets	73%

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

	<b>Year Ended 31 July 2014 %</b>	<b>Year Ended 31 July 2013 %</b>
Discount rate for scheme liabilities	4.2	4.5
Inflation assumption – RPI	3.5	3.5
Inflation assumption – CPI	2.5	2.5
Long-term salary increases	4.0	4.0
Increases on CARE benefits before retirement (in active service)	3.5	3.5
Pension payment increases – pre 01/08/10 service	2.5	2.5
Pension payment increases – post 01/08/10 service	2.1	2.1

**NOTE 31 PENSION SCHEMES (cont.)**

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

	<b>Year Ended 31 July 2014 Yrs</b>	<b>Year Ended 31 July 2013 Yrs</b>
Future life expectancies at age 65:		
Male currently aged 65	21.7	21.6
Female currently aged 65	23.0	22.9
Male currently aged 45	24.3	24.2
Female currently aged 45	25.5	25.5

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>31 July 2014</b>		<b>31 July 2013</b>	
	<b>Long-term rate of return expected</b>		<b>Long-term rate of return expected</b>	
	<b>% p.a.</b>	<b>£'000</b>	<b>% p.a.</b>	<b>£'000</b>
Equities	7.2	67,457	7.3	65,268
Corporate bonds	4.1	8,588	4.3	8,180
Government bonds	3.2	18,777	3.3	17,185
Cash/Other	3.5	1,603	3.5	759
	6.1	96,425	6.2	91,392
Present value of scheme liabilities		(122,976)		(111,581)
Pension liability		<b>(26,551)</b>		<b>(20,189)</b>

The University employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at 31 July 2014.

## NOTES TO THE ACCOUNTS

### NOTE 31 PENSION SCHEMES (cont.)

Analysis of amount charged to the Income and Expenditure account

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Current service cost	4,387	3,517
<b>Total operating charge</b>	<b>4,387</b>	<b>3,517</b>

Analysis of the amount charged to the Income and Expenditure account

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Within salaries and wages – members' contributions	1,245	952
Within pension costs – monthly contributions	4,234	3,457
Within pension costs – FRS 17	(1,092)	(892)
<b>Total operating charge</b>	<b>4,387</b>	<b>3,517</b>

Contributions of £1,245,000 (2013: £952,000) represent contributions made by current members under a salary sacrifice arrangement and charged to salaries and wages but treated as if part of the University's contributions by the Scheme and for FRS 17 purposes.

Analysis of amount credited to investment income

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Expected return on pension scheme assets	5,698	4,179
Interest on pension scheme liabilities	(5,020)	(3,771)
<b>Net credit on pension scheme funds</b>	<b>678</b>	<b>408</b>

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

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Total actuarial losses recognised in the STRGL	(8,132)	(7,918)
Cumulative amount of losses recognised in the STRGL	(47,376)	(39,244)

## NOTES TO THE ACCOUNTS

### NOTE 31 PENSION SCHEMES (cont.)

#### Movement in the scheme deficit during the year

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
<b>Deficit on scheme at 1 August</b>	(20,189)	(13,571)
Movements in the year:		
Current service cost	(4,387)	(3,517)
Contributions paid	5,479	4,409
Other finance income	678	408
Actuarial losses	(8,132)	(7,918)
<b>Deficit on scheme at 31 July</b>	<b>(26,551)</b>	<b>(20,189)</b>

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

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Opening defined benefit obligation	111,581	93,029
Current service cost	4,387	3,517
Interest cost	5,020	3,771
Contributions by scheme participants	252	235
Actuarial losses on scheme liabilities*	6,370	16,817
Net benefits paid out	(4,634)	(5,788)
<b>Closing defined benefit obligation</b>	<b>122,976</b>	<b>111,581</b>

\* Includes changes to the actuarial assumptions.

The University expects to contribute £5.6m to the scheme in 2014/15.

#### Changes to the fair value of scheme assets during the year

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Opening fair value of scheme assets	91,392	79,458
Expected return on scheme assets	5,698	4,179
Actuarial (losses)/gains on scheme assets	(1,762)	8,899
Contributions by the employer	5,479	4,409
Contributions by scheme participants	252	235
Net benefits paid out	(4,634)	(5,788)
<b>Closing fair value of scheme assets</b>	<b>96,425</b>	<b>91,392</b>

#### Actual return on scheme assets

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Expected return on scheme assets	5,698	4,179
Actuarial (losses)/gains on scheme assets	(1,762)	8,899
<b>Actual return on scheme assets</b>	<b>3,936</b>	<b>13,078</b>

**NOTE 31 PENSION SCHEMES (cont.)**

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

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>	<b>Year Ended 31 July 2012 £'000</b>	<b>Year Ended 31 July 2011 £'000</b>	<b>Year Ended 31 July 2010 £'000</b>
Fair value of scheme assets	96,425	91,392	79,458	80,065	69,361
Defined benefit obligation	(122,976)	(111,581)	(93,029)	(92,426)	(82,449)
Deficit in the scheme	<u>(26,551)</u>	<u>(20,189)</u>	<u>(13,571)</u>	<u>(12,361)</u>	<u>(13,088)</u>

**History of experience gains and losses:**

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>	<b>Year Ended 31 July 2012 £'000</b>	<b>Year Ended 31 July 2011 £'000</b>	<b>Year Ended 31 July 2010 £'000</b>
Experience gains/(losses) on scheme assets:					
Amount (£'000)	(1,762)	8,899	(4,455)	6,428	6,840
% of scheme assets	(1.8%)	9.7%	(5.6%)	8.0%	9.9%
Experience (losses)/gains on scheme liabilities:					
Amount (£'000)	-	(1,688)	-	-	(5,117)
% of the present value of scheme liabilities	0%	(1.5%)	0%	0%	(6.2%)
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£'000)	(8,132)	(7,918)	(2,832)	(1,024)	7,153
% of the present value of scheme liabilities	(6.6%)	(7.1%)	(3.0%)	(1.1%)	8.7%

**(iii) Total Pension Cost**

The total pension cost for the University was:

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Contributions to USS – regular cost	16,287	14,373
Contributions to ERBS – current service cost	4,387	3,517
Salary sacrifice contributions included in salaries and wages	(1,245)	(952)
Contributions to other pension schemes	475	319
	<u>19,904</u>	<u>17,257</u>
Early retirement pension enhancement costs	-	7
<b>Total pension cost</b>	<b><u>19,904</u></b>	<b><u>17,264</u></b>



## NOTES TO THE ACCOUNTS

### NOTE 32 CAPITAL COMMITMENTS – GROUP AND UNIVERSITY

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Commitments contracted at 31 July	49,542	22,920
Authorised but not contracted at 31 July	18,600	59,738
	<u><b>68,142</b></u>	<u><b>82,658</b></u>

During the year expenditure was incurred on academic buildings and student amenity buildings.

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

### NOTE 33 FINANCIAL COMMITMENTS

As at 31 July, the University had annual commitments under non-cancellable operating leases as follows:

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
<b>Other:</b>		
Expiring within one year	47	24
Expiring within two and five years inclusive	691	509
	<u><b>738</b></u>	<u><b>533</b></u>

### NOTE 34 FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of 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.

**NOTE 34 FINANCIAL INSTRUMENTS (cont.)**

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 £15m 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.

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. To mitigate the effects of this, the investment policy allows longer loan periods and most counterparties have been increased from one to 12 month placements.

Some call accounts offered yields in excess of those on offer for time deposits up to 12 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.

**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 35 RELATED PARTY TRANSACTIONS

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

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

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

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

<b>2013/14</b>	<b>Income recognised in the Financial Statements</b>	<b>Expenditure recognised in the Financial Statements</b>	<b>Balance due to/(from) the University</b>
	<b>£</b>	<b>£</b>	<b>£</b>
BBSRC	4,137,020	-	-
BSW Consulting Ltd	-	3,962	(1,335)
Camborne School of Mines	36,400	-	6,539
Falmouth Exeter Plus	-	4,267	(218)
INTO University of Exeter LLP	765,000	741,000	24,000
NUS Services Ltd	662	7,263	-
Peninsula Innovations Ltd	662,210	269,535	152,478
Quintiles	1,111	-	-
Rothamsted Research Limited	3,750	-	-
SW Academic Health Science Network	1,200	-	-
UCAS	7,549	137,344	-
UCAS Enterprises Ltd	-	13,459	(180)
Veale Wasborough	-	2,091	(891)
Willis Ltd	55,481	-	-

<b>2012/13</b>	<b>Income recognised in the Financial Statements</b>	<b>Expenditure recognised in the Financial Statements</b>	<b>Balance due to/(from) the University</b>
	<b>£</b>	<b>£</b>	<b>£</b>
A F Trust Co	-	6,400	-
BBSRC	3,508,509	40,404	-
Exeter College	62,757	7,444	3,779
Exeter Northcott Theatre	1,675	148,561	(70,024)
Exeter Science Park	102,568	613,193	12,686
RD&E Healthcare NHS Trust	17,558	78,993	-
Rothamsted Research Limited	3,650	7,601	-
South Devon Healthcare NHS Foundation Trust	-	1,047	(200)
The Higher Education Academy (HEA)	16,313	30,850	(14,715)
UCAS	8,559	-	-

**NOTE 35 RELATED PARTY TRANSACTIONS (cont.)****Biotechnology and Biological Sciences Research Council (BBSRC)**

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

**BSW Consulting**

BSW Consulting Ltd is a firm of consulting civil and structural engineers. One Council member is currently a Director.

**Camborne School of Mines**

The Camborne School of Mines Trust funds research and teaching. The school merged with the University of Exeter in 1993. Two Council members are currently Trustees.

**INTO**

INTO University Partnerships Limited (INTO) is an international student pathway provider. One Council member is currently a member of Exeter INTO Joint Venture Board.

**NUS Services Ltd**

NUS Services is the commercial arm of National Union of Students. One Council member is currently a Non-Executive Director.

**Quintiles**

Quintiles Transnational is a provider of biopharmaceutical development and commercial outsourcing services. One Council member is currently a Director.

**Rothamsted Research Limited**

Rothamsted Research Limited is an independent charitable company, limited by guarantee and governed by a Board of 17 non-executive Trustee Directors. One Council member is currently the chairman of the Board of non-executive Trustee Directors.

**South West Academic Health Science Network**

The South West Academic Health Science Network is a partnership of various health agencies. One Council member is currently a Director.

**UCAS**

UCAS is a sector shared service, providing an undergraduate application and admission service. One Council member is currently a Director.

**UCAS Enterprises Ltd**

UCAS is a registered charity. It provides application services across a range. One Council member is currently a Director.

**Veale Wasbrough**

Veale Wasbrough is a full service commercial law firm. One Council member is currently a Member.

**Willis Group Holdings plc**

Willis Group Holdings plc is a multinational risk advisor, insurance brokerage and reinsurance brokerage company. One Council member is currently an Employee.

**NOTE 35 RELATED PARTY TRANSACTIONS (cont.)**

**Falmouth Exeter Plus Limited**

The University is one of two members of FX+ Ltd, a company limited by guarantee, which has no share capital and is an exempt charity. FX+ Ltd is a joint venture company owned equally by the University and Falmouth University. FX+ is a linked charity of the University of Exeter.

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

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

1. A loan from Lloyds TSB Bank plc of £18.6m for 30 years at a fixed rate of 5.215%.
2. A loan from Lloyds TSB Bank plc for £10m for a term of 30 years at a fixed rate of 5.065%.
3. 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%
4. 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.

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

During the year TDV continued to contract for the design and construction of infrastructure, shared and academic spaces for the further development for the Penryn campus. TDV will contract the works with third parties and will recover funds from the University and Falmouth University on the basis of an agreed split of costs and usage of space. The FX+ Ltd Group has capital commitments as follows:

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Commitments contracted at 31 July	342	994
Authorised but not contracted at 31 July	1,798	4,827
	<b><u>2,140</u></b>	<b><u>5,821</u></b>



## NOTES TO THE ACCOUNTS

### NOTE 35 RELATED PARTY TRANSACTIONS (cont.)

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+ Ltd were as follows:

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Income derived from the FX+ Ltd Group	44	31
Expenditure incurred with the FX+ Ltd Group	(4,306)	(3,374)
Payments by the FX+ Ltd Group on behalf of the University	710	6,634

Payments by FX+ Ltd 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+ Ltd at the year-end were as follows:

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Amount owing from University of Exeter to the FX+ Ltd Group	218	1,247
Amount due to University of Exeter from the FX+ Ltd Group	-	905

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

The Group holds a 50% share of INTO University of Exeter LLP, a limited liability partnership. INTO University of Exeter LLP is a joint venture partnership with INTO University Partnerships Limited and the remaining 50% share is owned by INTO Exeter Limited, a wholly owned subsidiary of INTO University Partnerships Limited.

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

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Operating costs recharged to INTO University of Exeter LLP	765	1,422
Expenditure incurred with INTO University of Exeter LLP	741	302

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

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Amount owing from INTO University of Exeter LLP	765	1,151
Amount due to INTO University of Exeter LLP	741	3

**NOTE 36 ACCESS FUNDS**

Summary of transactions for the year ended 31 July 2014

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Balance at 1 August	4	8
Funding Council grants	181	163
Interest earned	2	2
	<hr/>	<hr/>
Disbursed to students	187	173
Administration costs	(141)	(162)
	(7)	(7)
	<hr/>	<hr/>
<b>Balance at 31 July</b>	<b>39</b>	<b>4</b>

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

**NOTE 37 NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP (NCTL)  
INITIAL TEACHER TRAINING BURSARIES**

Summary of transactions for the year ended 31 July 2014

	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Balance at 1 August	114	5
NCTL grants received	3,080	3,586
Total NCTL training bursary funding available for the year	3,194	3,591
Disbursements to students	(2,997)	(3,477)
	<hr/>	<hr/>
<b>Balance at 31 July</b>	<b>197</b>	<b>114</b>

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.

## FIVE YEAR SUMMARY ACCOUNTS

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

### INCOME AND EXPENDITURE

	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>					
Funding body grants	47,497	58,314	68,534	74,815	71,631
Tuition fees and education contracts	150,623	119,808	93,745	81,261	74,181
Research grants and contracts	60,071	54,346	49,922	46,327	37,728
Other income	42,919	45,869	41,509	41,855	42,102
Endowment and investment income	3,350	1,784	3,295	1,912	1,572
<b>Total income</b>	<b>304,460</b>	<b>280,121</b>	<b>257,005</b>	<b>246,170</b>	<b>227,214</b>
<b>Expenditure</b>					
Staff costs	168,465	152,535	140,582	127,957	118,988
Other operating expenses	108,750	108,670	92,152	84,739	82,828
Depreciation	20,724	17,634	15,836	15,803	13,106
Impairment	1,220	-	5	3,121	2,559
Interest payable	7,750	5,110	4,967	4,883	5,522
<b>Total expenditure</b>	<b>306,909</b>	<b>283,950</b>	<b>253,542</b>	<b>236,503</b>	<b>223,003</b>
<b>Operating (deficit)/surplus</b>	<b>(2,449)</b>	<b>(3,828)</b>	<b>3,463</b>	<b>9,667</b>	<b>4,211</b>
Share of operating profit/(loss) in JV	499	1,632	1,556	869	801
Exceptional items	-	-	-	-	812
<b>(Deficit)/surplus for the year on continuing operations</b>	<b>(1,950)</b>	<b>(2,196)</b>	<b>5,019</b>	<b>10,536</b>	<b>5,824</b>
Transfer from endowments	387	1,057	(288)	640	301
<b>(Deficit)/surplus for the year</b>	<b>(1,563)</b>	<b>(1,139)</b>	<b>4,731</b>	<b>11,176</b>	<b>6,125</b>
<b>HISTORIC COST RESULTS</b>					
(Deficit)/surplus for the year on continuing operations	(1,950)	(2,196)	5,019	10,536	5,824
Historical cost adjustments	3,863	5,677	3,397	3,380	13,517
<b>Historic cost surplus for the year</b>	<b>1,913</b>	<b>3,481</b>	<b>8,416</b>	<b>13,916</b>	<b>19,341</b>
EBITDA	19,818	12,571	19,181	27,007	22,168



## FIVE YEAR SUMMARY ACCOUNTS

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

### BALANCE SHEET

	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fixed assets	673,458	610,978	590,592	556,206	459,010
Endowment asset investments	30,265	29,148	23,488	23,884	21,074
Net current assets	82,199	17,994	12,688	10,883	27,981
Creditors: amounts falling due after more than one year	(219,140)	(136,751)	(122,490)	(105,721)	(95,755)
	<u>566,782</u>	<u>521,369</u>	<u>504,278</u>	<u>485,252</u>	<u>412,310</u>
Provisions for liabilities	-	-	-	(339)	(883)
Pension liability	(26,551)	(20,189)	(13,571)	(12,361)	(13,088)
<b>Total net assets</b>	<b><u>540,231</u></b>	<b><u>501,180</u></b>	<b><u>490,707</u></b>	<b><u>472,552</u></b>	<b><u>398,339</u></b>
Represented by:					
Deferred capital grants	144,291	143,556	130,352	116,113	107,539
Endowment reserve	30,265	29,148	23,488	23,884	21,074
Revaluation reserve	302,936	259,107	263,899	264,721	215,551
Income and expenditure reserve	62,740	69,369	72,968	67,834	54,175
<b>Total funds</b>	<b><u>540,231</u></b>	<b><u>501,180</u></b>	<b><u>490,707</u></b>	<b><u>472,552</u></b>	<b><u>398,339</u></b>

	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>
<b>Finance Strategy KPIs</b>					
Earnings (EBITDA) as a % of Total Income	6.5%	4.5%	7.5%	11.0%	9.4%
Staff Cost ratio	55.4%	54.7%	55.1%	52.4%	52.7%
Debt Servicing Costs as a % of Earnings	59.7%	46.2%	26.1%	18.0%	24.7%
Net debt to EBITDA	4.9	6.3	3.8	2.1	1.8
Liquidity Days: Cash Balances	119.2	80.3	71.3	77.4	97.2
Liquidity Days: Cash balances and available RCF	135.9	100.8	94.3	102.6	123.7





