



Financial Statements

for the year ended 31 July 2013



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FOREWORD

The University enjoyed an exceptional year of growth and development despite difficult market conditions.

Exeter was named Sunday Times University of the Year, it entered the world top 150 universities for the first time and strengthened its position as a top 10 UK university. In a highly competitive marketplace, undergraduate applications increased by 35 per cent - more than ten times the national average. Student satisfaction continued to improve and research awards topped £80 million, a 47 per cent increase on the year before.

Nevertheless the year began in challenging fashion due to the perturbations created by the advent of £9k fees and a poor year for A-Level results - there were 10,000 fewer students nationally achieving AAB or above at A-Level in 2012. Despite increasing our market share, like most universities we under-recruited in 2012/13 which had an effect on income. The University had to undertake corrective budgetary action to deliver what is a satisfactory result with a historic cost surplus for the year of £3.6 million. The recruitment position recovered strongly in 2013 and we began the 2013/14 academic year with 1,300 more students than 2012, thereby increasing annual fee income by £11.7 million.

In September 2013 the University of Exeter Medical School admitted its first students, an important milestone in the development of this exciting venture, one that will have a profound impact on health care training and delivery across the south west region. The school received nearly 1,800 applications for 120 places.

The UK funding regime for higher education is undergoing transition and change. The Government is beginning to deregulate the market place, putting student choice at the heart of its reforms. We welcome these changes and Exeter is exceptionally well placed to address the new challenges. Investment in the future remains a priority, enhancing our ability to compete and to attract the best students and the best staff.



In May 2012 the University opened its £50 million Forum building on our Streatham campus to critical acclaim, a facility that has since proved to be a resounding success with students. In April 2013 we opened a new £35 million Environmental and Sustainability Institute on our Penryn campus in Cornwall. The University has been able to attract world class scientists to Cornwall and we have now provided them with a high quality facility to research one of society's biggest global challenges.

The University continues to grow its research activity, and these financial statements report another year of high growth in research income as well as academic staff numbers. This is being accompanied by a major capital investment in a new £50 million Living Systems building, an interdisciplinary power house involving cell and molecular biologists, biomedical scientists, engineers, mathematicians and computer scientists all committed to combating serious human, animal and plant diseases. Work has started on site and this major project is due to be completed in November 2015.

It's great to welcome two new members of the University's senior team; Dr Claire Baines, who joined the University as its new Chief Operating Officer and Professor Mark Goodwin, Deputy Vice-Chancellor for External Affairs. The success of the University is attributable to the quality of its senior leadership and to the contribution made by its staff in so many ways. This is a source of great optimism for the University's continued success.

The University is strongly placed for the increasingly challenging future environment in Higher Education. This is reflected in its market share of the ABB market, strong student recruitment in 2013/14, recruitment of high quality new academic and professional services staff and its plans for investment in building student and research support.



Sarah Turvill,
Chair of Council



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The following do not form part of the Statutory Financial Statements:

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HIGHLIGHTS¹

Performance

- Total income: **£280.4m** (£257.0m), up **9.1%**
- Historical cost surplus for the year: **£3.6m** (£8.4m)
- Earnings (EBITDA²): **£12.6m** (£19.2m)
- Staff cost ratio: **54.4%** of income (54.7%)

Investment

- Capital expenditure: **£44.9m** (£47.4m)
- Capital grants: **£20.9m** (£19.0m)

Liquidity and Debt

- Total debt: **£137.6m** (£118.7m)
- Total cash and cash deposits: **£58.6m** (£46.4m)
- Net debt: **£79.0m** (£72.3m)

Financial Strength

- Net current assets ratio: **1.24** (1.20)
- Net assets: **£501.2m** (£490.7m), up **2.1%**



¹ Comparative data for the prior year 2011/12 is shown in () throughout the Business Review

² EBITDA as is based on the definition proposed by the sector's Financial Sustainability Strategy Group and referred to throughout the business review is calculated as follows: Surplus/deficit for the year retained within general reserves before interest payable, taxation, depreciation and amortisation, excluding FRS17 accounting credits and deferred capital grants released.

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.

The University exercises joint control over two joint ventures – Falmouth Exeter Plus Ltd and INTO University of Exeter LLP - for which our share of net assets and operating surplus are included in the Financial Statements. Further details are provided in Note 13.

The Peninsula College of Medicine and Dentistry was a joint arrangement with University of Plymouth and was included in the Financial Statements on a line by line basis reflecting the University's 50% share of net revenues, assets and liabilities. On 20 July 2012 both Universities entered into an

agreement to disaggregate the joint arrangement, effective from 1 August 2012. Further details are provided in Note 35 of these Financial Statements.

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

RESULTS FOR THE YEAR

The last year was a great success on many levels: the University joined the Russell Group, was awarded Sunday Times University of the Year and consolidated its top 10 status in all the UK's main league tables. However, financially the year was a challenging one. The impact of the new £9,000 fee system on home/EU undergraduate admissions, combined with a decline in the proportion of students gaining top A-level grades, the first decline in over 20 years (which resulted in fewer deferred applicants in the previous year), meant the University did not meet its admissions targets in September 2012. This led to a shortfall of income against budget at a time when investment in new staffing was at its peak, as the UK higher education sector approaches the Research Excellence Framework 2014 (REF2014) exercise. The University responded well to lower than expected levels of student recruitment, taking decisive corrective action in year with the result that a historic cost surplus for the year of £3.6 million (£8.4 million) was achieved. To record a surplus, when income levels are constrained and staff costs are growing, is commendable.

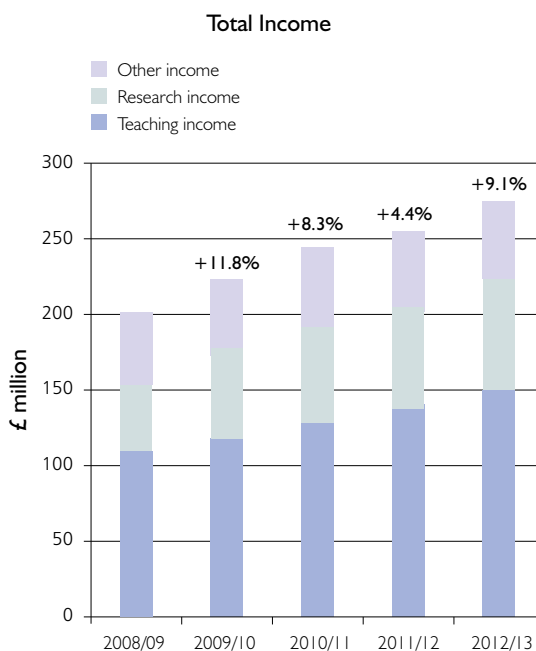
Despite the challenges of last year, total income increased by 9.1% to stand at £280.4 million. The University's growth trajectory is impressive in the face of continued pressures in public finance and increasing competition between universities for students and research funding.

2012/13 saw the first home/EU undergraduate students admitted under the Government's new £9,000 regulated tuition fee system while continuing home/EU undergraduate students were charged a tuition fee of £3,465. Accompanying the increase to tuition fees is a change to teaching block grant which is being phased out for classroom based disciplines and substantially reduced

for laboratory based disciplines. This structural change to the way universities are funded will be phased in as each new cohort enters the University over the next two years. Aside from the switch from teaching block grant to tuition fee income, the Government has begun its reforms aimed at de-regulating the market place such that universities are free to admit as many highly qualified prospective students as they can attract, providing prospective students with real choice. This de-regulation is welcomed as it signals the end of Government led rationing of University places at institutional level, at least for highly qualified candidates with A level (and equivalent) grades of AAB+ in 2012/13 (ABB+ from 2013/14). However, with this new freedom comes increased risk of losing market share.

Teaching block grant fell by £9.8 million (-23%) over the year, compensated for by increased tuition fee income of £26.1 million (+28%), principally driven by the new £9,000 fee system with income from home/EU undergraduates rising by £19.0 million (+50%). Increased expenditure on bursaries is another important part of the Government's changes to the student funding system, and the University increased bursaries paid by £3.1 million or 19% over the year. Income from international student fees grew by £4.0 million (+10%).

Research grants and contract income rose to £54.3 million (+9%) while indirect cost recovery was 28% of income (27%). Growth of research income will continue at a high rate as research awards in the pipeline are at a very high level. Exeter's growth of research grants and contract income has been unparalleled, increasing by 149% over the last five years compared to an average 39% growth in the Russell Group. This reflects substantial investment in staff



³ Research block grant and research grants and contracts income

⁴ Teaching block grant and tuition fees

and in its science, humanities and social sciences strategies. All this is aimed at optimising the submission to the 2014 Research Excellence Framework (REF2014) in November 2013 in expectation of enhancing research quality, volume, league table positioning and block grant funding.

Staff costs increased by £12 million (+9%) as a result of increased research volume but also investment in staff as part of the University's REF2014 strategy. Pay awards remain at realistic levels although pension costs have begun to rise.

The University's share of income from joint ventures increased to £18.2 million (+15%), contributing £1.6 million (£1.6 million) to the University's surplus for the year.

In December 2012 Council adopted a new financial strategy, identifying investment levels needed to sustain the University and to enable its strategic priorities to be delivered. Cash generated from operating activities, after servicing debt, will enable these investment priorities to be delivered, either directly through own-funded capital expenditure or indirectly through servicing debt to fund investment. The key performance indicator for finance will be based on cash earnings, technically defined as EBITDA. The new strategy will formally start in the 2013/14 financial year. The new financial strategy has been accompanied by a new comprehensive business planning process involving all

Colleges and Services and culminating in a new set of five year plans covering the period 2013/14 to 2017/18.

EBITDA fell for the second successive year to £12.6 million (£19.2 million), a fall that reflects lower than expected student recruitment combined with high levels of investment in staffing as the submission date for REF2014 approaches. The recently adopted five year financial plans reverse this trend and EBITDA is expected to return to an upward trajectory over this period. This is an essential component of the finance strategy as the University is increasing its debt levels in order to fund investment.

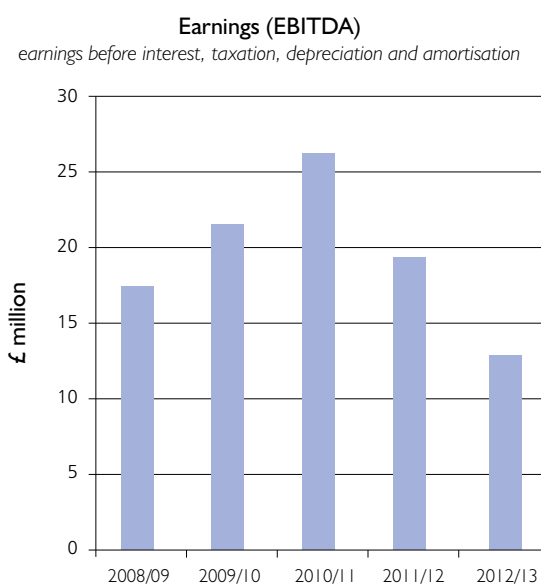
The historical surplus for the year of £3.6 million (£8.4 million) is ahead of the budget for the year. It includes one-off items such as the write-back of a provision for Icelandic bank deposits (£1.2 million), profit on the disposal of equities (£1.6 million), the release of deferred capital grant following the disaggregation of PCMD (£2.2 million) and a payment to Plymouth University to assist in the development of a five-year dental degree (£500k).

After taking into account the impact of the revaluation of certain assets, the financial statements show a loss for the year of £1.1 million (surplus of £4.7 million) on a modified historic cost basis.

KEY PERFORMANCE INDICATORS (KPIs)³

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

This illustrates that the University is ranked 1st in the peer group on the Postgraduate Research Student per Staff FTE indicator (no change) and ranked 9th on the EBITDA indicator (down six places). The decline in EBITDA, in relation to the peer group, requires careful interpretation. The University's figures are for the 2012/13 year and



³ 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 2011/12 published data (current) and 2010/11 (previous).

are compared to the latest figures available for the peer group which are for 2011/12. The lower level of EBITDA experienced by the University this year is due to the impact of student recruitment, a national phenomenon that is likely to have affected the sector, and our peers, to a greater extent than it has Exeter. The lag in this KPI indicator is likely to be quite marked this year given the national impact of declining top-graded A-Levels and the introduction of the £9,000 fee. On eight indicators, the University's position either improved or remained unchanged. On two indicators, the University's position deteriorated.

INVESTMENT, LIQUIDITY AND DEBT

The finance strategy adopted by Council in December is subtitled 'an investment led strategy'. Investment is essential to underpinning our drive to enhance the quality of teaching and research to ensure the University can compete on

the national and international stage. The University also recognises the importance of investment to underpin long-term financial sustainability, maintaining current income streams and providing capacity to grow. The starting point of the finance strategy was to set an investment ceiling based on needs and affordability. The new strategy includes a new capital programme of £169 million to be delivered over the next five years.

Capital expenditure of £44.9 million (£47.4 million) was delivered during the year with completion of the Environmental and Sustainability Institute in Penryn (£35 million project cost) and major projects underway include the Research, Innovation, Learning and Development Centre (£20 million project cost) at the Royal Devon and Exeter Hospital NHS Trust (a shared facility between the Medical School and the Trust), The Exchange Building in Penryn and the Russell Seal Fitness Centre (project cost £6.5 million) on the Streatham campus.

Cash and liquid investments increased over the year, standing at £58.6 million (£46.4 million), representing 80 liquidity days (71) i.e. the number of days of average expenditure cash balances could support.

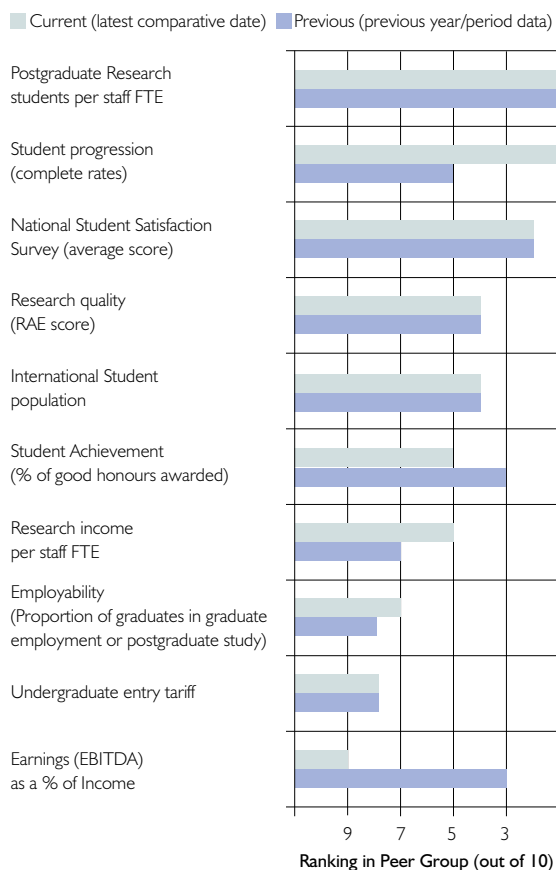
The University has a £165 million loan facility over a 30-year term of which £25 million remains to be drawn as at 31 July 2013. £15 million of this undrawn facility has been earmarked to be retained as a revolving credit facility to fund working capital requirements. The loan was arranged on favourable terms before banking conditions changed as a result of the 2007 'credit crunch'. Total debt stands at £137.6 million (£118.7 million) as at 31 July. Net debt (i.e. total debt less cash and liquid investments) stands at £79.0 million (£72.3 million).

PENSIONS

Pensions remain a significant liability and risk. The Universities Superannuation Scheme (USS) is a multi-employer scheme and its assets and liabilities cannot be attributed to individual member universities. As a result the University's share of the USS deficit does not appear within these Financial Statements. At its last valuation in March 2011 USS itself reported a total deficit of £2.9 billion at sector level, equating to a funding level of 92%.

Key Performances Indicators

Rankings in Peer Group



BUSINESS REVIEW

At March 2013 funding levels had fallen to 77% indicating a significant increase in the value of the scheme's deficit. This higher level of deficit will be a crucial feature as the scheme approaches its next valuation in March 2014 with the results due in autumn 2014.

The University's own support staff pension scheme, the Exeter Retirement Benefits Scheme (ERBS), completed its actuarial valuation in the last year reaching agreement with the University over its future funding. The actuarial deficit that the University has agreed to fund has reduced substantially from £52.3 million in April 2009, funded over 25 years, to £29.5 million in April 2012 funded over 10 years. The new valuation has resulted in the employer's contribution rate increasing from 19% to 22.5% from August 2013 and the employees themselves contributing more, rising from 6.25% to 7.5% from October 2013. The University formerly provided a £34 million bank guarantee covering part of the deficit but, in return for shortening the deficit recovery period, the trustees of ERBS have agreed to forgo this. The FRS 17 accounting deficit of £20.2 million included on the University's balance sheet is calculated on a different basis from the actuarial deficit and due to market conditions at 31 July 2013 is considerably up on that previously reported (£13.6 million), despite the actuarial valuation of the deficit falling substantially. See Note 28 for further details.

RISKS AND UNCERTAINTIES

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

- Exeter Medical School - effectively a start-up combined with a prolonged transition as the former joint medical school is wound-down over five years. This is a complex project requiring careful management. The Medical School admitted its first students in September 2013 and the Exeter BMBS is progressing well through the GMC accreditation process.
- Pension costs - the costs of funding ERBS have increased, USS is undergoing its valuation next year and with it the prospect of a substantial increase in the costs of funding the scheme. The Government has announced the end of the contracted-out national insurance rebate in April 2016 which will result in higher costs for both employees and employers.
- Doctoral Training Centres (DTCs) - DTCs have become the main route to securing UK Research Council funding for PhD studentships, typically in collaboration with other universities. The University is a member of five centres (AHRC, BBSRC, ESRC, EPSRC and NERC – all of the Research Councils that currently operate this model). These are subject to competition based on the quality of bids.
- INTO progression - The University jointly operates an academically and financially successful INTO centre on campus. It has been working with its partner to diversify its pathway programmes for the INTO student body who progress into Exeter colleges other than the predominant Business School pathway. Agreement on a plan to achieve this has been reached with our partner.
- The University's financial position has been helped by affordable pay inflation. Pay awards are running at 1% but, on top of this, pay costs increase each year through incremental progression. This results in pay inflation far exceeding regulated fee inflation at 0%. This gap is manageable whilst pay awards remain at this relatively low level, although as the inflation gap accumulates over time it will be increasingly difficult to absorb. However, the University has successfully managed this long-standing trend of pay inflation outstripping inflation on regulated income and it is determined to continue to do so in the future.

FUTURE OUTLOOK

Student recruitment in 2013/14 exceeded targets and financial plans, reversing the shortfall experienced in 2012/13. The proportion of students with A-level grades of ABB or better also increased. This followed an impressive 35% rise in home/EU undergraduate applications, showing that student demand for places at the University remain strong. However, regulated fee income, including the new £9,000 tuition fee, are controlled by the Government and have not been inflated in 2013/14 and there is little prospect of these fees being inflated for the foreseeable future. This means the University is suffering a real terms cut in its future funding and is having to absorb pay awards, pension increases and other cost inflation.

Research awards have also exceeded targets and this represents a pipeline of future research income growth over the next few years.

In November 2013 the University will make its submission to the REF2014 exercise. The University has enjoyed the fastest growth of its research income within the Russell group, by some margin, since the last RAE2008 exercise and much of this growth has been in science, technology, engineering, mathematics and medicine. Over the last five years the University's research income has grown by 149% compared to the Russell group average of 39%. This augurs well for an increase in research block grant in 2015/16, provided the University's management of research quality is equally impressive. The University has expectations that it will receive a substantial return on its research investments in future years, both financially and in terms of league table positioning. The REF2014 results are expected in December 2014 with the financial implication showing in the 2015/16 financial year.

Capital investment will remain at high levels in coming years. The Living Systems building is a £50 million project which has just started on site and will be an interdisciplinary science facility working on human, animal and plant disease, predicting the evolution of diseases and developing treatments at cellular level. Major investment is also underway on the St Luke's campus to enhance medical school facilities. A new £169 million capital investment programme has been adopted, part funded through a new

£70 million loan from the European Investment Bank. This loan facility was completed in September 2013.

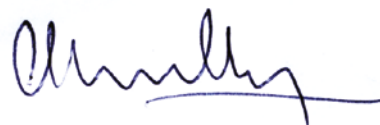
The University is a founding participant in FutureLearn, a new platform delivering Massive Open On-line Courses or MOOCs. This is a new venture and has the potential to be a game-changer in the delivery of future higher education. The University's first MOOC will be on climate change and will start in January 2014.

The University expects continued strong growth in its income, from both teaching and research. Continued high investment will make it well placed to address future competitive challenges and a more demanding student market place.

The University's budgeted surplus for 2013/14 is set to remain, broadly at current levels, reflecting continued investment in staffing. Council have requested that the next set of five year financial plans target an increase in EBITDA, reflecting thin operating margins and increased exposure to market risk and higher financial commitments resulting from increasing borrowing.

GOING CONCERN

In July 2013 Council approved five year financial plans, including income and expenditure, balance sheet, capital investment, cash flow and liquidity. The 2012/13 financial outturn exceeded its forecasts for the year, despite the shortfall in student recruitment in 2012/13. Student recruitment in 2013/14 exceeded targets. Council is confident that it will be able to meet all its financial obligations, cash commitments and banking covenants over the next 12 months and will continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared and approved by Council on a going concern basis.



Andrew Connolly
Chief Financial Officer

25 November 2013

PUBLIC BENEFIT STATEMENT

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

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

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

The effect of a university education on students is transformational. The University of Exeter is committed to an extensive 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. The University's admissions policy is committed to ensuring that no student with potential to 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.

The Destination of Leavers from Higher Education sector results shows that the University's graduate destinations score for 2011/12 was 77.1%. This resulted in a jump from 22nd to 18th in the 2014 Times Good Universities Guide for the graduate prospects measure.

For more than a decade the University has been working at the leading edge of a widening participation and fair access policy. In 2012/13 the University set aside £6 million to fund outreach activities and means-tested bursaries for undergraduate students from poorer backgrounds, including the new National Scholarship Programme. A total of 2,873 students received means tested support in 2012/13, representing 25% of Home/EU undergraduate students. Students can also apply for a number of course specific scholarships and merit based scholarships in music and sport.

Outreach activities see trained student ambassadors and staff from Exeter visit schools to help raise the aspirations of students from under-represented groups and to improve their awareness of higher education. Students from target schools are invited to attend a range of on-campus activities

covering a variety of subject areas throughout the year. The University is committed to supporting local education and is a partner in the new South Devon University Technical College, as well as a specialist maths Free School.

Excellence in Exeter (in both Exeter and Penryn) is an annual event 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 will be recognised and heralded by the parents, staff and fellow students at the event. The University hosts other educational events for local schools such as the Big Bang science celebration.

The Environment and Sustainability Institute, based on the Penryn Campus, opened in April 2013. The Institute leads cutting-edge interdisciplinary research to find solutions to the problems of environmental change and is working with local children to inspire them to take up careers in 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 of the Northcott Theatre and hosting the EXExtreme Imagination Festival of Literature for Children and Young People in February. In November, hundreds of staff, students and local people joined the BBC at the University as it hosted the annual Children in Need broadcast. The South West raised £722,586 for the charity.

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 500 volunteering hours in 2012/13.

...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 numbers are growing, now representing a quarter of the student undergraduate population for 2012/13. 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.

In recruiting and educating international students we attract students from more than 110 different countries and currently employ staff from 81 countries. This has led to the University supporting a wider diversification of social cultures by hosting free events such as the Chinese New Year celebrations and Diwali which are open to all staff, students and Exeter residents.

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

...we undertake groundbreaking research

The University seeks to undertake research which has a distinctive and measurable impact on society. There is a focus on translational research so that discoveries are used for the benefit of society.

The University has an outstanding foundation with world-class research in all of its subject areas. During the year, £54.3 million of research income was received and this is forecast to increase significantly over the next five years.

The University of Exeter researchers continue to make major contributions in a wide range of disciplines including graphene, diabetes, applied medicine, climate change, religious history, extrasolar planets and renewable marine

energy. Every year University of Exeter staff work on around 1,000 projects with businesses to provide smart solutions to global, national and local challenges. Some of our major partners include the Met Office, IBM and Shell. For further research case studies see www.exeter.ac.uk/research/excellence/

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

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

The University is committed to the principles of the Athena SWAN Charter which aims to support and encourage gender equality within the STEM disciplines (Science, Technology, Engineering, Mathematics and Medicine). The University joined the Charter in June 2011 and received Bronze Status in March 2012.

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

The University has a student-focused philosophy which results in very high levels of student satisfaction. The University of Exeter is a consistent top 10 performer in the National Student Survey, ranking 10th out of all 'full service' universities in 2013.

In 2012/13 there were 18,537 students at the University, of which 4,358 were postgraduates: some 75% came from state schools and 25% from independent schools. Students are active in their local communities providing thousands of hours of volunteering a year which is aimed at helping local elderly, disadvantaged and disabled people. The University, the Students' Guild in Exeter, and Falmouth and Exeter Students' Union (FXU) in 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.

PUBLIC BENEFIT STATEMENT

The University offers opportunities for students to increase their employability through work experience, student business projects and volunteering opportunities. The University has launched a "Grand Challenges" programme for 1st year students, providing knowledge and understanding of the University's world leading research and the impact it has in the world today, 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's students are involved in various fundraising campaigns contributing to external charities. In 2011/12 students raised more than £62,000 as part of RAG activities for charities such as Community Action and Eddystone Trust. In Penryn during 2012/13 355 students have undertaken volunteering opportunities run by FXU for charities including Age Concern, CLIC Sargent and the RSPB.

The University enjoys links with hundreds of international, national and regional companies and organisations, with many of them specifically targeting Exeter graduates. This has been further enhanced by the creation of the Career Zone, a new student employability centre, within the Forum, at Exeter. In Penryn, The Exchange, a £10 million learning, teaching and research hub has enhanced the student experience, providing access to the full spectrum of academic and support services in one space. These developments complement the launch of ASPIRE, which supports staff in these academic job families (and appropriate staff in Professional Services) towards accreditation of their professional development as higher education teachers with the Higher Education Academy. These initiatives are part of the University's Education Strategy to give greater recognition to education and scholarship activity in order to enhance students' learning experience at the University of Exeter.

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 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. The University has endorsed the Declaration for Higher Education Sustainability Initiative for Rio +20.

The University of Exeter has 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. The University grounds received a Green Flag award for 2012/13, and the University was also shortlisted for four Green Gown awards. The University of Exeter Students' Guild has gained national recognition for their efforts to improve their environmental performance by achieving Gold in the NUS Green Impact Awards 2012.

The Falmouth Bay marine renewable energy test site, an area of research to which the University of Exeter has made a significant contribution, won Best Business Innovation at the Green Energy awards in 2012.

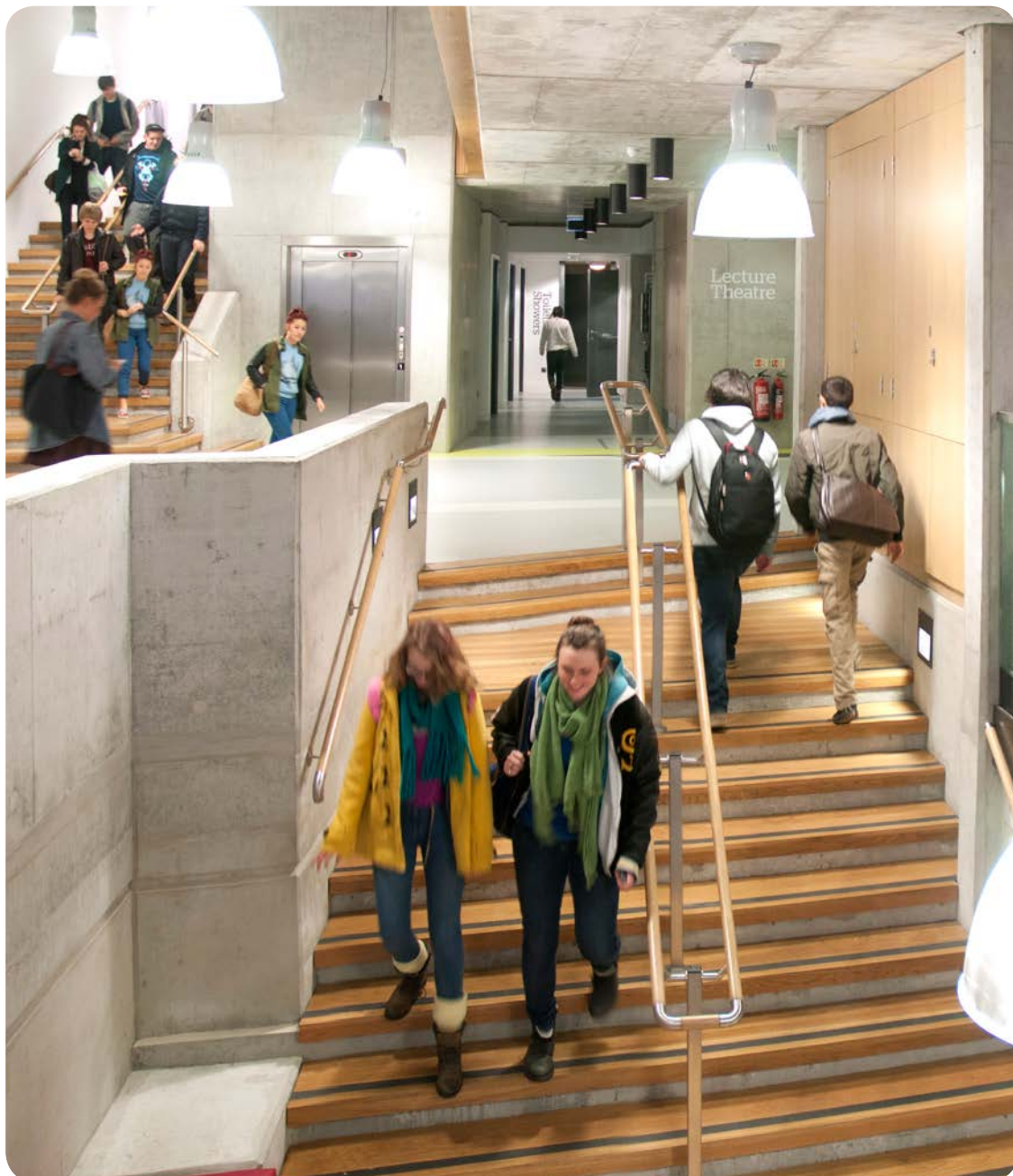
The University uses the BRE Environmental Assessment Method (BREEAM)* as a tool for delivering sustainable buildings. All of its new developments will achieve "BREEAM Excellent". The Environment and Sustainability Institute at the Penryn Campus is set to achieve "BREEAM Outstanding".

The University is committed to improving its environmental performance and in the latest report confirmed that its carbon emissions had fallen by 14% since 2005/06. The University's Business School became the first in the sector

⁴ BREEAM (BRE Environmental Assessment Method) is the leading and most widely used environmental assessment method for buildings. 'Outstanding' is the highest classification.

to become completely carbon neutral when it signed up to PAS 2060, the first independent standard for carbon neutrality. The University also runs various University-wide sustainability campaigns such as Green Impact, Birds and Bees and Degrees Cooler. Further information can be found on the sustainability website www.exeter.ac.uk/sustainability/

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



CORPORATE GOVERNANCE AND STATEMENT OF INTERNAL CONTROL

INTRODUCTION

The following statement is provided to enable readers of the Financial Statements of the Group, which comprises 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 20 members, the majority of whom are drawn from outside the University, described as lay members. Council members are the trustees of the Charity. The Chair of Council is drawn from the lay

membership. Representatives of staff and the student body are also members. No member of Council receives payment for fulfilling the role of member, although out of pocket expenses are payable. The Secretary of Council is the Chief Operating Officer. Council met seven times during 2012/13, 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 six members with no executive responsibility for the management of the University. Its Chair is the Pro-Chancellor (Finance). The Committee is authorised to investigate any activity and seek any information it requires from any employee. The Committee is responsible for reviewing and commenting on the University's financial statements along with its arrangements for governance, internal control, risk 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 Senior Deputy Vice-Chancellor; the Chief Operating Officer and the Director of Human Resources attend meetings in an advisory capacity. No member of staff is present for the discussion of their own remuneration. The Committee meets twice per year.

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

DUAL ASSURANCE

The University's business is governed through a mechanism known as dual assurance operating in nine business areas: finance and investment; research; human resources and health and safety; equality and diversity; infrastructure and capital programme; environmental sustainability; education; internationalisation; strategic communications and information technology. The dual assurance partnership

in each of these business areas involves two people - a member of the Vice-Chancellor's Executive Group and a lay member of Council.

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

REMUNERATION

The University's approach to remuneration for senior staff is to retain and attract the best available talent by setting base salary at the median of our competitors and to encourage and support a high-performance culture through the payment of variable rewards paid for achievement of agreed objectives and targets based on the annual review of performance. Each year, the salaries of all senior staff are reviewed to ensure that base salaries remain competitive, taking account of submissions made by role-holders of their achievements over the previous twelve months. An equality analysis is also carried out to ensure consistency and equality of treatment.

Bonus schemes operate for the Vice-Chancellor's Executive Group, College Deans, College Executives and Directors of Professional Services. Professors are also eligible for merit payments based on performance. Decisions are made by Remuneration Committee following the end of the financial year. A Long Term Incentive Scheme for Professors who were identified as key retention risks for REF2014 has been in operation since 2010/11 with payments being made at the end of 2013/14. This has been very successful, with only a small number of Professors covered by the scheme leaving before the REF2014 census date.

The Director of Human Resources will be reviewing the University's approach towards reward and recognition during 2013/14 with a view to a new Reward Strategy being implemented from the commencement of the 2014/15 University year.

CORPORATE GOVERNANCE AND STATEMENT OF INTERNAL CONTROL

2012/13 was a challenging financial year for the University for reasons explained elsewhere in this report. The merit pay scheme, applicable to staff in grades A to H, and performance-related merit payments payable to Professors were suspended in 2012/13 as a contribution towards achieving the University's overall financial targets. In addition the Vice-Chancellor and other members of the Vice-Chancellor's Executive Group agreed to forego their performance bonus for 2012/13.

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.

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

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.

INTERNAL CONTROL AND RISK

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 2013 and up to the date of approval of the financial statements.

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

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

CORPORATE GOVERNANCE AND STATEMENT OF INTERNAL CONTROL

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, 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;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to detailed appraisal;
- Financial Regulations supplemented by a comprehensive Financial Handbook, detailing financial controls and procedures;

- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Council and whose head provides Council with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control, corporate governance and management of risk; and
- a treasury and investment management policy.

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

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

DISABLED EMPLOYEES

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

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

REGISTER OF INTERESTS

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

FURTHER INFORMATION

Enquiries about the constitution and governance of the University should be addressed to the Chief Operating Officer.

RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY

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

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

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

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

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

- ensure that funds from the Higher Education Funding Council for England (HEFCE) and the 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 14 to 21 were approved by Council on 25 November 2013 and signed on its behalf by:



S. Turvill – Chair of Council



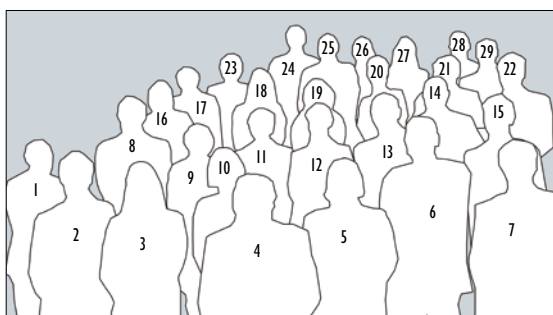
Professor Sir S. Smith – Vice-Chancellor and Chief Executive

MEMBERSHIP OF COUNCIL



MEMBERS OF COUNCIL *

From left to right



Front row:

- 1 Professor Stephen Tomlinson *
- 2 Professor Mark Goodwin
- 3 Professor Janice Kay *
- 4 Professor Sir Steve Smith *
- 5 Miss Sarah Turvill *
- 6 Mr Peter Lacey *
- 7 Mr Richard Hughes *

Third Row:

- 16 Ms Bettina Rigg *
- 17 Sir Robin Nicholson *
- 18 Ms Hannah Barton *
- 19 Ms Tracy Costello
- 20 Dr Sarah Buck *
- 21 Mr Christopher Pomfret *
- 22 Mr Pete Hodges *

Second row:

- 8 Dr Andrew Shaw *
- 9 Ms Judy Hargadon *
- 10 Ms Jacqui Marshall
- 11 Ms Michele Shoebridge
- 12 Dr Claire Baines
- 13 Mr John Allwood *
- 14 Mr Gerry Brown
- 15 Mr Charles Malyon

Top Row:

- 23 Mrs Sarah Wilcox *
- 24 Professor Nick Talbot
- 25 Professor Neil Armstrong *
- 26 Professor Dan Charman
- 27 Ms Amanda Conroy *
- 28 Professor Ken Evans *
- 29 Mr Geoff Pringle

Miss S Turvill (Chair) *appointed 1 August 2012*
 Mr P Lacey
 Mr R M P Hughes
 Professor Sir S M Smith
 Professor J M Kay
 Professor N Armstrong
 Mr C J Allwood
 Dame S Leather *retired 31 July 2013*
 Sir Robin Nicholson
 Mr M Jordan *retired 31 July 2013*
 Ms B Rigg
 Dr S Buck
 Mr N Bull

Professor K E Evans
 Ms J Hargadon OBE
 Professor S J Rippon *retired 31 July 2013*
 Mr P Hodges *appointed 1 August 2012*
 Mrs S Wilcox *appointed 1 August 2012*
 Professor D Myhill *appointed 1 August 2012;*
appointment ended 31 July 2013
 Mr N Davies
 Ms H Barton
 Ms A Conroy
 Mr C Pomfret
 Professor S Tomlinson
 Dr A M Shaw *appointed 1 August 2013*

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

We have audited the group and University financial statements (the "financial statements") of the University of Exeter for the year ended 31 July 2013 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, Note of Historical Cost Results, Statement of Consolidated Total Recognised Gains and Losses, Consolidated Balance Sheet, Balance Sheet, Consolidated Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2013 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

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

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

Matters on which we are required to report by exception

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

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

Emma Holiday (Senior statutory auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants, Plym House

Plymouth PL6 8LT

26 November 2013

UNIVERSITY OF EXETER

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. GENERAL

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

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

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.

2. BASIS OF CONSOLIDATION

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

3. RECOGNITION OF INCOME

The recurrent grants from the funding bodies represent the funding allocations, which are attributable to the current financial year and are credited 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 endowments and donations is included in full in the Income and Expenditure Account. Income from endowment assets held for restricted purposes imposed by the donor or funder is recognised in line with the conditions attached to the University's right to the investment income.

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

The University acts as an agent in the collection and payment of hardship funds and training bursaries from the funding bodies. Related receipts from HEFCE and the National College for Teaching and Leadership (NCTL) and subsequent disbursement to students are excluded from the income and expenditure account and are shown separately in notes 33 to 34.

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

4. FOREIGN CURRENCIES

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

5. PENSION SCHEMES AND OTHER POST-RETIREMENT BENEFITS

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

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

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

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

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

Further information on both the USS and ERBS pension schemes and post-retirement benefits is disclosed in note 28.

The University also makes contributions to the National Health 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.

6. RESEARCH AND DEVELOPMENT EXPENDITURE

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

7. 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.

UNIVERSITY OF EXETER

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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.

8. 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.

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:

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

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.

9. LEASES

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

10. 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.

11. 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.

12. 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.

UNIVERSITY OF EXETER

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Endowment asset investments are carried at market value. Such investments held at the previous year-end, and carried at market value at that date, may be sold during the year. This crystallises the value and any difference between the opening market value and the sale proceeds represents a revaluation movement. There is no differentiation in the treatment of valuation adjustments for restricted permanent endowments that have been disposed of during the year, or valuation adjustments that relate to endowments that continue to be held at year end. Current asset investments are included at the lower of cost and net realisable value.

13. 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.

14. 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.

15. 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.

16. 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.



F O R U M

UNIVERSITY OF EXETER
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2013

		Year Ended 31 July 2013		Year Ended 31 July 2012	
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	1		58,314		68,534
Tuition fees and education contracts	2		119,808		93,745
Research grants and contracts	3		54,346		49,922
Other income (incl. share of joint ventures)	4		64,051		57,328
Endowment and investment income	5		2,023		3,295
Total income including joint ventures			298,542		272,824
Less: Share of income from joint ventures	13		(18,182)		(15,819)
Total income			280,360		257,005
EXPENDITURE					
Staff costs	6		152,535		140,582
Other operating expenses	7		108,752		92,152
Depreciation	8	17,634		15,836	
Impairment of buildings	8	-		5	
			17,634		15,841
Interest payable	9		5,110		4,967
Total expenditure			284,031		253,542
Operating (deficit)/surplus			(3,671)		3,463
Share of operating surplus in joint ventures	13		1,632		1,556
(Deficit)/surplus on continuing operations			(2,039)		5,019
Deficit/(surplus) for the year transferred from accumulated income in endowment funds	14		900		(288)
(Deficit)/surplus for the year	10		(1,139)		4,731
The income and expenditure account in both years is in respect of continuing activities					
NOTE OF HISTORICAL COST RESULTS					
(Deficit)/surplus on continuing operations			(2,039)		5,019
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	20		3,381		3,397
Release of fixed asset investment revaluation surpluses on disposal	20		1,596		-
Release of previous years property revaluation surpluses on current year disposals	20		700		-
Historical cost surplus for the year			3,638		8,416

UNIVERSITY OF EXETER
STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2013


	Note	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
(Deficit)/surplus on continuing operations		(2,039)	5,019
Revaluation gain on tangible assets	20	524	1,601
Revaluation gain on tangible assets in joint venture	13	-	1,737
Revaluation gain/(loss) on fixed asset investments	20	361	(763)
Appreciation/(depreciation) of endowment asset:			
Investments	14/19	3,951	(1,497)
New endowments	14/19	2,609	813
Actuarial loss on pension scheme	28	(7,918)	(2,832)
Actuarial loss on pension scheme in joint venture	13	(219)	(162)
Total recognised (losses)/gains in the year		<u>(2,731)</u>	<u>3,916</u>
Reconciliation			
		Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Opening reserves and endowments		360,355	356,439
Total recognised (losses)/gains for the year		(2,731)	3,916
Closing reserves and endowments		<u>357,624</u>	<u>360,355</u>

UNIVERSITY OF EXETER
BALANCE SHEETS AS AT 31 JULY 2013

	Notes	Group		University	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Fixed assets					
Tangible assets	11	600,199	575,471	600,176	575,421
Investments	12	5,534	10,386	5,744	10,596
Investments in joint ventures	13	5,245	4,735	–	–
		<u>610,978</u>	<u>590,592</u>	<u>605,920</u>	<u>586,017</u>
Endowment asset investments	14	29,148	23,488	29,148	23,488
Current assets					
Stock		807	493	805	488
Debtors	15	33,791	29,101	34,078	29,079
Investments		1,500	13,330	1,500	13,329
Cash at bank and in hand		57,100	33,085	56,755	32,306
		<u>93,198</u>	<u>76,009</u>	<u>93,138</u>	<u>75,202</u>
Creditors: amounts falling due within one year	16	(75,204)	(63,321)	(75,087)	(63,114)
Net current assets		<u>17,994</u>	<u>12,688</u>	<u>18,051</u>	<u>12,088</u>
Total assets less current liabilities		658,120	626,768	653,119	621,593
Creditors: amounts falling due after more than one year	17	(136,751)	(122,490)	(136,751)	(122,490)
Provisions for liabilities					
Total net assets excluding pension liability		<u>521,369</u>	<u>504,278</u>	<u>516,368</u>	<u>499,103</u>
Net pension liability	28	(20,189)	(13,571)	(20,189)	(13,571)
NET ASSETS		<u>501,180</u>	<u>490,707</u>	<u>496,179</u>	<u>485,532</u>
Deferred capital grants	18	143,556	130,352	143,556	130,352
Endowments					
Expendable	19	8,344	6,105	8,344	6,105
Permanent	19	20,804	17,383	20,804	17,383
		<u>29,148</u>	<u>23,488</u>	<u>29,148</u>	<u>23,488</u>
Reserves					
Income and expenditure reserve (excl. Pension reserve)		89,558	86,539	89,229	86,123
Pension reserve		(20,189)	(13,571)	(20,189)	(13,571)
Income and expenditure reserve (incl. Pension reserve)	21	69,369	72,968	69,040	72,552
Revaluation reserve	20	259,107	263,899	254,435	259,140
Total reserves		<u>328,476</u>	<u>336,867</u>	<u>323,475</u>	<u>331,692</u>
TOTAL FUNDS		<u>501,180</u>	<u>490,707</u>	<u>496,179</u>	<u>485,532</u>

The financial statements on pages 26 to 64 were approved by Council on 25 November 2013 and signed on its behalf by:

Professor Sir S. Smith
Vice-Chancellor and Chief Executive



S. Turvill
Chair of the Council



UNIVERSITY OF EXETER
CONSOLIDATED CASH FLOW STATEMENT
For the year ending 31 July 2013

	Note	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Cash inflow from operating activities	22	9,519	19,317
Returns on investments and servicing of finance	23	(4,516)	(4,430)
Capital expenditure and financial investment	24	(11,842)	(31,675)
Management of liquid resources	25	11,830	13,119
Financing	26	19,024	17,049
Increase in cash in the year	27	24,015	13,380

Reconciliation of net cash flow to movement in net debt

		Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Increase in cash in the year	27	24,015	13,380
Cash inflow from new secured loans	26	(19,610)	(21,000)
Cash outflow from repayment of loans	26	703	5,009
Cash inflow from liquid resources	25	(11,830)	(13,119)
Movement in net debt in the year		(6,722)	(15,730)
Net debt at 1 August		(72,294)	(56,564)
Net debt at 31 July	27	(79,016)	(72,294)

NOTES TO THE ACCOUNTS

NOTE 1 FUNDING BODY GRANTS

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
HEFCE - Recurrent teaching grant	31,973	41,767
HEFCE - Recurrent research grant	19,281	18,523
HEFCE - Specific grants	3,535	2,377
National College for Teaching and Leadership (NCTL) - Recurrent grants	96	3,083
NCTL - Specific grants	64	93
Deferred capital grants released in year (note 18)	3,365	2,691
	58,314	68,534

NOTE 2 TUITION FEES AND EDUCATION CONTRACTS

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Home/EU undergraduates: full-time	57,013	37,978
Home/EU undergraduates: part-time	29	27
Home/EU postgraduates: full-time	10,738	9,545
Home/EU postgraduates: part-time	2,485	1,324
International students	44,935	40,971
Non-credit bearing courses and other tuition fees	1,132	2,099
Research Training Support Grants	3,476	1,801
	119,808	93,745

NOTE 3 RESEARCH GRANTS AND CONTRACTS

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Research councils	20,550	19,076
UK based charities	5,152	5,930
UK central government, local authorities, health & hospital authorities	13,714	12,068
UK industry, commerce and public corporations	2,137	3,108
European Union governments	9,370	7,632
European Union industry and other bodies	1,261	878
Other grants and contracts	2,162	1,230
	54,346	49,922

Included above are deferred capital grants released in the year of £1.1 million (2012: £0.8 million) (see note 18).

NOTE 4 OTHER INCOME

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Residences, catering and conferences	20,742	22,206
Other services rendered		
Validation fees	82	79
UK central government, local authorities and health	166	306
Other	1,244	931
Income from health authorities	4,275	3,286
Other operating income		
Other external grants	3,268	2,642
Summer schools, fair and degree day income	288	375
Donations and other fundraising	540	1,115
Erasmus	966	758
Sports and swimming pools	1,465	1,449
Externally recharged staff time	374	832
Supplies and services to external customers	3,080	3,274
Rental income and room hire	769	853
Falmouth Exeter Plus Limited	9,123	7,205
INTO University of Exeter LLP	9,059	8,614
Release of deferred capital grants (note 18)	3,254	1,214
Reversal of Landsbanki provision	1,038	–
Other income	4,318	2,189
	<u>64,051</u>	<u>57,328</u>

NOTE 5 ENDOWMENT AND INVESTMENT INCOME

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Income from expendable endowments (note 19)	202	1,048
Income from permanent endowments (note 19)	297	470
Income from short term investments	457	439
Income from fixed asset investments	59	128
Surplus on disposal of fixed asset investments	462	617
Net credit on pension scheme funds (note 28)	408	485
Other interest receivable	138	108
	<u>2,023</u>	<u>3,295</u>

The interest receivable from group undertakings that are not subsidiaries in the current year amounted to £Nil (2012: £Nil).

NOTES TO THE ACCOUNTS

NOTE 6 STAFF COSTS

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

	Year Ended 31 July 2013 Number	Year Ended 31 July 2012 Number
Academic staff	753	686
Research staff	491	429
Teaching fellows	200	184
Occasional lecturers	89	72
Support staff	2,046	1,870
Casuals	195	149
Total	<u>3,774</u>	<u>3,390</u>

Staff costs for the above persons:

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Salaries and wages	125,838	117,136
Social security costs	9,440	8,475
Pension costs (note 28)	17,257	14,971
	<u>152,535</u>	<u>140,582</u>

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Emoluments of the Vice-Chancellor and Chief Executive:		
Non-performance related remuneration (including benefits in kind)	290	280
Performance related remuneration	–	54
Pension contributions to USS	52	52
	<u>342</u>	<u>386</u>

Emoluments for senior staff are determined by the Remuneration Committee as set out in the Corporate Governance and Internal Control Statement on page 15. The Vice-Chancellor and other members of the Vice-Chancellor's Executive Group declined to accept any bonus for 2012/13.

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 £10,577 (2012: £7,992).

NOTE 6 STAFF COSTS (cont.)

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

	Year Ended 31 July 2013	Year Ended 31 July 2012
£100,000 - £109,999	19	15
£110,000 - £119,999	16	9
£120,000 - £129,999	7	7
£130,000 - £139,999	6	4
£140,000 - £149,999	3	3
£150,000 - £159,999	3	3
£160,000 - £169,999	1	2
£180,000 - £189,999	1	1
£190,000 - £199,999	1	1
£240,000 - £249,999	—	1
£250,000 - £259,999	—	1
£280,000 - £289,999	1	—
£290,000 - £299,999	1	—
£330,000 - £339,999	—	1

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

A member of staff included in the £160,000 - £169,999 band above received compensation for loss of office of £165,000. Of this amount, £97,500 was paid in 2012/13 and the balance will be paid in 2013/14.

NOTES TO THE ACCOUNTS

NOTE 7 OTHER OPERATING EXPENSES

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Residences, catering and conferences	11,615	11,427
Rents and rates	1,542	1,097
Heat, light, water and power	3,793	2,051
Repairs and general maintenance	8,545	6,310
Laboratory equipment and consumables	6,294	5,892
IT hardware, software and licences	1,829	1,652
Other equipment	8,419	7,414
Books and periodicals	3,901	3,506
Non-contract staff and external examiners	6,802	5,451
Administrative costs including postage and telephones	5,111	3,433
Insurances	539	547
Publicity, publications and student recruitment	3,680	3,355
Travel, accommodation, subsistence and hospitality	10,792	9,234
Fellowships, scholarships and prizes	19,117	16,059
Field courses and other student support	5,323	4,743
Legal, professional and consultancy fees	4,928	4,208
Auditor's remuneration	63	63
Auditor's remuneration in respect of non-audit services	33	13
Penryn Campus premises, academic support and administrative costs	4,125	3,186
Other expenses	2,301	2,511
	108,752	92,152

Included within legal, professional and consultancy fees is the internal audit fee for the University of £71,000 (2012: £101,000).

Included within Auditor's remuneration is the external audit fee for the University of £53,000 (2012: £51,000).

NOTE 8 ANALYSIS OF EXPENDITURE BY ACTIVITY**2012/13**

	Staff Costs £'000	Other Operating Expenses £'000	Depreciation/ Impairment £'000	Interest Payable £'000	Total £'000
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	36,011	199	–	55,922
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)
	152,535	108,752	17,634	5,110	284,031

The depreciation charge has been funded by:

Deferred capital grants released – buildings (note 18)	3,026
Deferred capital grants released – equipment (note 18)	4,708
Revaluation reserve released (note 20)	3,381
General income	6,519
	17,634

2011/12

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

NOTES TO THE ACCOUNTS

NOTE 8 ANALYSIS OF EXPENDITURE BY ACTIVITY (cont.)

The depreciation charge has been funded by:	£'000
Deferred capital grants released – buildings	2,399
Deferred capital grants released – equipment	2,337
Revaluation reserve released	3,397
General income	7,703
	<u>15,836</u>
The impairment charge has been funded by:	
General income	5
	<u>15,841</u>

NOTE 9 INTEREST PAYABLE

	2013	2012
On bank loans and overdrafts:		
Repayable wholly or partly in more than five years	5,110	4,967
	<u>5,110</u>	<u>4,967</u>

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

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

	2013	2012
University's (deficit)/surplus for the year on continuing operations	(2,085)	4,289
Surplus generated by subsidiary undertakings and joint ventures	46	730
	<u>(2,039)</u>	<u>5,019</u>
Consolidated (deficit)/surplus on continuing operations		
Deficit/(surplus) for the year transferred from accumulated income in endowment funds (note 14)	900	(288)
	<u>(1,139)</u>	<u>4,731</u>

NOTE 11 TANGIBLE FIXED ASSETS**Group**

	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000		
Cost or Valuation			£'000	£'000
At 1 August 2012	504,336	64,367	50,532	619,235
Additions	29,547	4,087	11,247	44,881
Disposals	(1,638)	–	(5,242)	(6,880)
Revaluation movements	(338)	862	–	524
At 31 July 2013	531,907	69,316	56,537	657,760
Depreciation				
At 1 August 2012	13,968	1,386	28,410	43,764
Charge for the year (note 8)	10,416	889	6,329	17,634
Disposals	(916)	–	(2,921)	(3,837)
At 31 July 2013	23,468	2,275	31,818	57,561
Net Book Value				
At 31 July 2013	508,439	67,041	24,719	600,199
At 31 July 2012	490,368	62,981	22,122	575,471
Financed by capital grant	83,966	50,652	8,008	142,626
Other	424,474	16,389	16,710	457,573
At 31 July 2013	508,440	67,041	24,718	600,199

- a) At 31 July 2013 freehold and leasehold land and buildings included **£23.6 million** (2012: £31.0 million) in respect of buildings under construction.
- b) Included in the cost of freehold land and buildings is £1.1 million bank loan interest payable that has been capitalised. This has been calculated at the loan interest rate of 5.88%. These finance costs are directly attributable to the construction of student residences and were capitalised as part of the cost of those assets whilst they were in the course of construction. There has been no capitalisation of interest payable in the current or prior year.
- c) Long leasehold land and buildings comprise the University owned buildings on the Penryn Campus, which were acquired under a 125 year lease (116 years remaining).
- d) During the year the Environmental Sustainability Institute and the Exchange buildings on the Penryn Campus were completed.

NOTES TO THE ACCOUNTS

NOTE 11 TANGIBLE FIXED ASSETS (cont.)

University	Land and Buildings		Equipment	Total
	Freehold	Long Leasehold		
	£'000	£'000		
Cost or Valuation				
At 1 August 2012	504,336	64,367	50,262	618,965
Additions	29,547	4,087	11,247	44,881
Disposals	(1,638)	–	(5,234)	(6,872)
Revaluation movements	(338)	862	–	524
At 31 July 2013	531,907	69,316	56,275	657,498
Depreciation				
At 1 August 2012	13,968	1,386	28,190	43,544
Charge for the year	10,416	889	6,308	17,613
Disposals	(916)	–	(2,919)	(3,835)
At 31 July 2013	23,468	2,275	31,579	57,322
Net Book Value				
At 31 July 2013	508,439	67,041	24,696	600,176
At 31 July 2012	490,368	62,981	22,072	575,421

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

The valuations at 31 July 2011 were as follows:

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

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

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

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

NOTE 11 TANGIBLE FIXED ASSETS (cont.)

Further valuations have been performed by Jones Lang LaSalle as at the 31 July 2013 on buildings that were completed during the year. This includes the Exchange and the Environmental and Sustainability Institute both on the Penryn Campus. The valuation as at 31 July 2013 for these additions of £24.1 million was for leasehold buildings and compares to the historical cost net book value of £23.3 million.

Valuations were also performed in 2012 in relation to the Mood Disorders Centre and the Forum and associated buildings. The valuation as at 31 July 2012 for these additions of £76.5 million was for freehold land and buildings and compares to the historical cost net book value of £56.2 million.

Heritage Assets

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.



NOTES TO THE ACCOUNTS

NOTE 12 INVESTMENTS

	Group		University	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Fine art collection	1,811	1,811	1,811	1,811
Library special collection	2,728	2,728	2,728	2,728
Listed investments	955	5,744	955	5,744
Subsidiary undertakings	–	–	210	210
Other investments	40	103	40	103
	5,534	10,386	5,744	10,596

The University's fine art collection of paintings, drawings, sculptures, furniture, silverware and ceramics was professionally valued during the year ended 31 July 2011 by external Fine Art Auctioneers and Valuers, Messrs. Bearnès Hampton and Littlewood, on an open market value basis. The amount of the valuation, 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 2011 by external Fine Art Auctioneers and Valuers, Messrs. Bearnès Hampton and Littlewood, on an open market value basis. The amount of the valuation is detailed above.

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 2013. During the year most of these investments were disposed with proceeds being used to part finance the University's capital programme.

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

<i>Directly owned</i> <i>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 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.

The Exeter Northcott Theatre Company

The University of Exeter resigned as sole member of The Exeter Northcott Theatre Company Limited, a company limited by guarantee on 27 April 2013. The results of that company have been consolidated in these financial statements in respect of the period for which it was a subsidiary.

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.

NOTES TO THE ACCOUNTS

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.

FX+ Ltd and TDV 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.

	Group	
	2013	2012
	£'000	£'000
The University's share in its joint ventures are as follows:		
Share of income:		
Falmouth Exeter Plus Ltd	9,123	7,205
INTO University of Exeter LLP	9,059	8,614
	<u>18,182</u>	<u>15,819</u>
Share of operating surplus:		
Falmouth Exeter Plus Ltd	(57)	219
INTO University of Exeter LLP	1,689	1,337
	<u>1,632</u>	<u>1,556</u>

NOTE 13 INVESTMENT IN JOINT VENTURES (cont.)

	2013 £'000	2012 £'000
Share of statement of recognised gains and losses:		
Falmouth Exeter Plus Ltd	219	1,575
INTO University of Exeter LLP	–	–
	219	1,575
Share of gross assets:		
Falmouth Exeter Plus Ltd	35,221	36,744
INTO University of Exeter LLP	7,759	7,244
	42,980	43,988
Share of gross liabilities:		
Falmouth Exeter Plus Ltd	(31,815)	(33,062)
INTO University of Exeter LLP	(5,920)	(6,191)
	(37,735)	(39,253)
Share of net assets:		
Falmouth Exeter Plus Ltd	3,406	3,682
INTO University of Exeter LLP	1,839	1,053
	5,245	4,735

NOTE 14 ENDOWMENT ASSET INVESTMENTS – Group and University

	2013 £'000	2012 £'000
Balance at 1 August	23,488	23,884
New endowments invested	2,609	813
Increase/(decrease) in market value of investments	3,951	(1,497)
(Decrease)/increase in cash balances held for endowment funds	(900)	288
Balance at 31 July	29,148	23,488
The investments comprise funds invested in:		
Fixed interest stocks	6,302	6,276
Equities	18,923	13,730
Property	713	–
Alternative investments	2,884	2,455
Miscellaneous Assets	282	–
Bank balances	44	1,027
	29,148	23,488

NOTES TO THE ACCOUNTS

NOTE 15 DEBTORS

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Amounts falling due within one year:				
Debtors	12,770	8,583	13,014	8,143
Prepayments and accrued income	20,064	18,340	20,029	18,330
Amounts owed by group undertakings:				
Subsidiary companies	–	–	78	428
Related parties	957	2,178	957	2,178
	33,791	29,101	34,078	29,079

NOTE 16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Research grants received on account	24,530	16,960	24,530	16,960
Trade creditors	10,253	10,365	10,189	10,319
Other creditors	22,892	17,248	22,892	17,070
Social security and other taxation payable	3,439	3,292	3,439	3,291
Bank loans and overdrafts	3,823	–	3,823	–
Accruals and deferred income	9,125	11,451	9,024	11,280
Amounts owed to group undertakings:				
Subsidiary companies	–	–	48	519
Related parties	1,142	4,005	1,142	3,675
	75,204	63,321	75,087	63,114

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

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Bank loans (see below)	133,167	118,690	133,167	118,690
Inherited Liability – Cornwall County Council	13	16	13	16
Other Creditors	609	797	609	797
Accruals and deferred income	2,962	2,987	2,962	2,987
	136,751	122,490	136,751	122,490

i) Total bank loans – Group and University

	2013 £'000	2012 £'000
Bank loans are repayable as follows:		
- In one to two years	3,823	-
- In two to five years	11,469	11,025
- In five years or more	121,698	107,665
	136,990	118,690



NOTES TO THE ACCOUNTS

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

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

	Facility £'000	Interest Rate %	Repayment	Term	2013 £'000	2012 £'000
National Westminster Bank Plc	100,000					
Tranches 1 and 2		5.54	Quarterly	35 years (to 2043)	31,514	31,779
Tranche 3		5.40	Quarterly	35 years (to 2043)	20,061	20,230
Tranche 4 and 5		1-month LIBOR +0.18%	Quarterly	30 years (to 2043)	31,734	16,000
<hr/>						
Barclays Bank Plc	65,000					
Tranches 1 and 2		5.53	Quarterly	35 years (to 2043)	20,413	20,413
Tranche 3		5.41	Quarterly	35 years (to 2043)	10,268	10,268
Tranche 4		4.39	Quarterly	34 years (to 2043)	10,000	10,000
Tranche 5		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	–
					136,990	118,690

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 2013 is £26.6 million adverse (2012: £32.4 million adverse).

At 31 July 2013, the University had £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 18 DEFERRED CAPITAL GRANTS – Group and University

	Funding Council £'000	Other Grants £'000	Total £'000
At 1 August 2012			
Land and buildings	60,593	62,032	122,625
Equipment	4,260	3,467	7,727
	64,853	65,499	130,352
Grants receivable			
Land and buildings	71	15,878	15,949
Equipment	2,194	2,795	4,989
	2,265	18,673	20,938
Released to Income and Expenditure Account			
Land and buildings	(1,780)	(1,246)	(3,026)
Equipment	(1,585)	(3,123)	(4,708)
	(3,365)	(4,369)	(7,734)
At 31 July 2013			
Land and buildings	58,884	76,664	135,548
Equipment	4,869	3,139	8,008
	63,753	79,803	143,556
Released to Income and Expenditure Account:			
Funding body grants			3,365
Research grants and contracts			1,115
Other income			3,254
			7,734

NOTES TO THE ACCOUNTS

NOTE 19 ENDOWMENTS – Group and University

		Restricted Permanent £'000	Restricted Expendable £'000	2013 Total £'000	2012 Total £'000
At 1 August:	Capital	16,685	5,877	22,562	23,361
	Accumulated income	698	228	926	523
		17,383	6,105	23,488	23,884
Transfer between funds		(63)	63	–	
New endowments		595	2,014	2,609	813
		532	2,077	2,609	813
Investment income		297	202	499	1,518
Expenditure		(140)	(1,259)	(1,399)	(1,230)
		157	(1,057)	(900)	288
Increase/(decrease) in market value of investments		2,732	1,219	3,951	(1,497)
At 31 July		20,804	8,344	29,148	23,488
Represented by:	Capital	19,950	8,069	28,019	22,562
	Accumulated income	854	275	1,129	926
		20,804	8,344	29,148	23,488
Represented:				2013 £'000	2012 £'000
Permanent Fund				3,202	3,561
Lazenby Trust				712	–
Institute for Arab and Islamic Studies				16,890	14,533
Restricted Permanent Endowments				20,804	17,383
PCMD Vandervell				1,178	999
Expendable Fund				7,166	4,395
Restricted Expendable Endowments				8,344	6,105
				29,148	23,488

Permanent Fund

The Permanent Portfolio holds endowments 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 the University of Exeter in 2012/13, and it is intended that the fund will be transferred to an independent trust during 2013/14.

Institute for Arab and Islamic Studies Fund (IAIS)

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

NOTE 19 ENDOWMENTS – (cont.)

PCMD Vandervell Fund

This endowment is earmarked for postdoctoral Fellowships within the Medical School. It has been agreed to allocate part of this endowment to the University of Plymouth during 2013/14.

Expendable Fund

The expendable fund is a general pool that is used for funds 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.

NOTE 20 REVALUATION RESERVE

Group

	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
At 1 August 2012	258,009	5,890	263,899
Fixed assets – Land and Buildings	524	–	524
Fixed assets investments – Quoted shares	–	361	361
	<u>524</u>	<u>361</u>	<u>885</u>
Transfer from revaluation to general reserve:			
Released on disposal	(700)	(1,596)	(2,296)
Depreciation on re-valued assets	(3,381)	–	(3,381)
	<u>(4,081)</u>	<u>(1,596)</u>	<u>(5,677)</u>
At 31 July 2013	<u>254,452</u>	<u>4,655</u>	<u>259,107</u>

University

	Freehold Land & Buildings £'000	Fixed Asset Investments £'000	Total £'000
At 1 August 2012	253,250	5,890	259,140
Revaluation in the year			
Fixed assets – Land and Buildings	524	–	524
Fixed assets investments – Quoted shares	–	361	361
	<u>524</u>	<u>361</u>	<u>885</u>
Transfer from revaluation to general reserve:			
Released on disposal	(700)	(1,596)	(2,296)
Depreciation on re-valued assets	(3,294)	–	(3,294)
	<u>(3,994)</u>	<u>(1,596)</u>	<u>(5,590)</u>
At 31 July 2013	<u>249,780</u>	<u>4,655</u>	<u>254,435</u>

NOTES TO THE ACCOUNTS

NOTE 21 INCOME AND EXPENDITURE RESERVE

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Balance at 1 August	72,968	67,834	72,552	68,048
(Deficit)/surplus for the year	(1,139)	4,731	(1,184)	4,001
Transfers from revaluation reserve	5,677	3,397	5,590	3,335
Actuarial loss on pension schemes	(8,137)	(2,994)	(7,918)	(2,832)
Balance at 31 July	69,369	72,968	69,040	72,552

NOTE 22 RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT)/SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £'000	2012 £'000
(Deficit)/surplus for the year	(1,139)	4,731
Joint venture profit	(1,632)	(1,556)
Joint venture distribution received	903	1,808
FRS 17 – Pension adjustment	(892)	(1,137)
Depreciation (note 8)	17,634	15,836
Impairment of land and buildings (note 11)	–	5
Deficit on disposal of tangible fixed assets	135	338
Deferred capital grants released (note 18)	(7,734)	(4,736)
Endowment and investment income (note 5)	(2,023)	(3,295)
Interest payable (note 9)	5,110	4,967
Increase in stock	(314)	(45)
(Increase)/decrease in debtors	(7,061)	3,540
Increase/(decrease) in creditors	6,532	(800)
Decrease in provisions	–	(339)
Net cash inflow from operating activities	9,519	19,317

NOTE 23 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2013 £'000	2012 £'000
Income from short term investments	458	454
Other interest received	138	108
Interest paid	(5,112)	(4,992)
	<u>(4,516)</u>	<u>(4,430)</u>
Net cash outflow from returns on investments and servicing of finance	(4,516)	(4,430)

NOTE 24 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2013 £'000	2012 £'000
Purchase of tangible assets	(44,176)	(46,403)
Payments to acquire endowment assets	(2,014)	(839)
Total fixed and endowment assets acquired	(46,190)	(47,242)
Receipts from the sale of tangible assets	2,908	
Receipts from the sale of long term investments	5,734	68
Receipts from the sale of endowment assets	721	628
Deferred capital grants received	22,971	14,058
Endowments received	2,014	813
	<u>(11,842)</u>	<u>(31,675)</u>
Net cash outflow from capital expenditure and financial investment	(11,842)	(31,675)

NOTE 25 MANAGEMENT OF LIQUID RESOURCES

	2013 £'000	2012 £'000
Cash withdrawn from short term deposits	11,830	13,119
	<u>11,830</u>	<u>13,119</u>
Net cash inflow from management of liquid resources	11,830	13,119

NOTE 26 FINANCING

	2013 £'000	2012 £'000
New loans	19,610	21,000
Income from Landsbanki	117	1,058
	<u>19,727</u>	<u>22,058</u>
Repayment of amounts borrowed	(703)	(5,009)
	<u>19,024</u>	<u>17,049</u>
Net cash inflow from financing	19,024	17,049

NOTES TO THE ACCOUNTS

NOTE 27 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2012 £'000	Cash Flows £'000	At 31 July 2013 £'000
Cash in hand and at bank	33,085	24,015	57,100
Current asset investments	13,330	(11,830)	1,500
	<u>46,415</u>	<u>12,185</u>	<u>58,600</u>
Debt due within 1 year	(3)	(3,823)	(3,826)
Debt due after 1 year	(118,706)	(15,084)	(133,790)
	<u>(72,294)</u>	<u>(6,722)</u>	<u>(79,016)</u>

NOTE 28 PENSION SCHEMES

The two principal schemes for the University's staff are the national Universities Superannuation Scheme (USS) and the University of Exeter Retirement Benefits Scheme (ERBS), which are externally invested defined benefit 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.

NOTE 28 PENSION SCHEMES (cont.)

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 is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

At 31 July 2013, USS had over 148,000 active members and the University had 2,558 active members participating in the scheme.

The total pension cost for the University was £14.4 million (2012: £12.7 million). This includes £1.3 million (2012: £1.7 million) 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:

Latest Actuarial Valuation	5 April 2012
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%

NOTES TO THE ACCOUNTS

NOTE 28 PENSION SCHEMES (cont.)

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

	2013	2012
	%	%
Discount rate for scheme liabilities	4.5	4.1
Inflation assumption – RPI	3.5	2.5
Inflation assumption – CPI	2.5	1.5
Long-term salary increases*	4.0	3.2
Increases on CARE benefits before retirement (in active service)	3.5	2.5
Pension payment increases – pre 01/08/10 service	2.5	1.5
Pension payment increases – post 01/08/10 service	2.1	1.4

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

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

	2013	2012
	Yrs	Yrs
Future life expectancies at age 65:		
Male currently aged 65	21.6	20.3
Female currently aged 65	22.9	22.3
Male currently aged 45	24.2	22.1
Female currently aged 45	25.5	23.4

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

	31 July 2013		31 July 2012	
	Long-term rate of return expected		Long-term rate of return expected	
	% p.a.	£'000	% p.a.	£'000
Equities	7.3	65,268	6.5	53,101
Corporate bonds	4.3	8,180	3.9	7,607
Government bonds	3.3	17,185	2.5	18,202
Cash/Other	3.5	759	2.5	548
	6.2	91,392	5.3	79,458
Present value of scheme liabilities		(111,581)		(93,029)
Pension liability		(20,189)		(13,571)

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 2013.

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

Analysis of the amount charged to the income and expenditure account

	2013 £'000	2012 £'000
Current service cost	3,517	2,896
Total operating charge	3,517	2,896

Analysis of the amount charged to the income and expenditure account

	2013 £'000	2012 £'000
Within salaries and wages – members' contributions	952	875
Within pension costs – monthly contributions	3,457	3,158
Within pension costs – FRS 17	(892)	(1,137)
Total operating charge (note 6)	3,517	2,896

Contributions of **£952,000** (2012: £875,000) 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

	2013 £'000	2012 £'000
Expected return on pension scheme assets	4,179	5,315
Interest on pension scheme liabilities	(3,771)	(4,830)
Net credit on pension scheme funds	408	485

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

	2013 £'000	2012 £'000
Total actuarial losses recognised in the STRGL	(7,918)	(2,832)
Cumulative amount of losses recognised in the STRGL	(39,244)	(31,326)

NOTES TO THE ACCOUNTS

NOTE 28 PENSION SCHEMES (cont.)

Movement in the scheme deficit during the year

	2013	2012
	£'000	£'000
Deficit on scheme at 1 August	(13,571)	(12,361)
Movements in the year:		
Current service cost	(3,517)	(2,896)
Contributions paid	4,409	4,033
Other finance income	408	485
Actuarial losses	(7,918)	(2,832)
Deficit on scheme at 31 July	<u>(20,189)</u>	<u>(13,571)</u>

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

	2013	2012
	£'000	£'000
Opening defined benefit obligation	93,029	92,426
Current service cost	3,517	2,896
Interest cost	3,771	4,830
Contributions by scheme participants	235	156
Actuarial losses/(gains) on scheme liabilities*	16,817	(1,623)
Net benefits paid out	(5,788)	(5,656)
Closing defined benefit obligation	<u>111,581</u>	<u>93,029</u>

* Includes changes to the actuarial assumptions.

The University expects to contribute £5.2 million to the scheme in 2013/14.

Changes to the fair value of scheme assets during the year

	2013	2012
	£'000	£'000
Opening fair value of scheme assets	79,458	80,065
Expected return on scheme assets	4,179	5,315
Actuarial gains/(losses) on scheme assets	8,899	(4,455)
Contributions by the employer	4,409	4,033
Contributions by scheme participants	235	156
Net benefits paid out	(5,788)	(5,656)
Closing fair value of scheme assets	<u>91,392</u>	<u>79,458</u>

NOTE 28 PENSION SCHEMES (cont.)

Actual return on scheme assets	2013 £'000	2012 £'000
Expected return on scheme assets	4,179	5,315
Actuarial (losses)/gains on scheme assets	8,899	(4,455)
Actual return on scheme assets	<u>13,078</u>	<u>860</u>

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Fair value of scheme assets	91,392	79,458	80,065	69,361	59,777
Defined benefit obligation	(111,581)	(93,029)	(92,426)	(82,449)	(80,032)
Deficit in the scheme	<u>(20,189)</u>	<u>(13,571)</u>	<u>(12,361)</u>	<u>(13,088)</u>	<u>(20,255)</u>

History of experience gains and losses:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Experience (losses)/gains on scheme assets:					
- Amount (£'000)	8,899	(4,455)	6,428	6,840	(8,690)
- % of scheme assets	9.7%	(5.6%)	8.0%	9.9%	(14.5%)
Experience gains/(losses) on scheme liabilities:					
Amount (£'000)	(1,688)	–	–	(5,117)	(3,234)
% of the present value of scheme liabilities	(1.5%)	0%	0%	(6.2%)	(4.0%)
Total amount recognised in the statement of total recognised gains and losses:					
- Amount (£'000)	(7,918)	(2,832)	(1,024)	7,153	(15,415)
- % of the present value of scheme liabilities	(7.1%)	(3.0%)	(1.1%)	8.7%	(19.3%)

(iii) Total Pension Cost

The total pension cost for the University was:

	2013 £'000	2012 £'000
Contributions to USS - regular cost	14,373	12,705
Contributions to ERBS - current service cost	3,517	2,896
Salary sacrifice contributions included in salaries and wages	(952)	(875)
Contributions to other pension schemes	<u>319</u>	<u>245</u>
	17,257	14,971
Supplementary pension costs	–	–
Early retirement pension enhancement costs	<u>7</u>	<u>151</u>
Total pension cost	<u>17,264</u>	<u>15,122</u>

NOTES TO THE ACCOUNTS

NOTE 29 CAPITAL COMMITMENTS - Group and University

	2013	2012
	£'000	£'000
Commitments contracted at 31 July	22,920	15,438
Authorised but not contracted at 31 July	59,738	41,909
	82,658	57,347

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

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

NOTE 30 FINANCIAL COMMITMENTS

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

	2013	2012
	£'000	£'000
Other:		
Expiring within one year	24	22
Expiring within two and five years inclusive	509	571
	533	593

NOTE 31 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.

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 cashflow 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 £15 million 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 twelve month placements.

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

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 32 RELATED PARTY TRANSACTIONS

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

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

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

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

2012/13	Income recognised in the Financial Statements £	Expenditure recognised in the Financial Statements £	Balance due to/(from) the University £
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	–	–

2011/12	Income recognised in the Financial Statements £	Expenditure recognised in the Financial Statements £	Balance due to/(from) the University £
BBSRC	2,711,854	24,490	–
CUBO	–	2,321	–
Exeter College	46,994	8,307	(129)
Exeter Science Park	170,710	–	34,250
LHC Group	5,805	–	–
NUS Services	72,637	6,600	54,946
RD&E Healthcare NHS Trust	13,193	198,184	(9,843)
Rothamsted Research Ltd	7,144	4,179	(323)
South Devon Healthcare NHS Foundation Trust	10,000	–	–
The Sainsbury Laboratory	–	130	(130)
UCAS	–	99,312	(700)
University of Exeter Students' Guild	176,917	1,808,386	(37,017)
Universities UK	–	28,940	(535)

A F Trust Co

A F Trust Co. provides property services and leasing facilities to educational establishments on an arms' length basis. One of the University's Senior Management Team is a Director of A F Trust Co.

Biotechnology and Biological Sciences Research Council (BBSRC)

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

Exeter College

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

Exeter Northcott Theatre

The University of Exeter resigned as sole member of The Exeter Northcott Theatre Company Limited, a company limited by guarantee on 27 April 2013. The results of that company have been consolidated in these financial statements in respect of the period for which it was a subsidiary. A senior member of University staff is a board director.

Exeter Science Park

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

RD&E NHS Foundation Trust

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

Rothamsted Research Limited

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

South Devon Healthcare NHS Foundation Trust

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

The Higher Education Academy (HEA)

The Higher Education Academy is the UK's main provider of resources, events and workshops relating to learning and teaching in higher education. One Council member is a board director.

UCAS

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

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+ Ltd is a linked charity of the University of Exeter.

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

NOTES TO THE ACCOUNTS

NOTE 32 RELATED PARTY TRANSACTIONS (cont.)

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

- A loan from Lloyds TSB Bank plc of £18.6 million for 30 years at a fixed rate of 5.9%.
- A loan from Lloyds TSB Bank plc of £10 million for a term of 30 years at a fixed rate of 5.2%.
- A loan from Barclays Bank plc of £20.5 million for new residences. The loan is repayable over 30 years, at a fixed rate of 2.5%
- A loan of £8 million for new residences, £4 million from the European Investment Bank (EIB) at a fixed rate of 2.4% and £4 million 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 of 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:

	2013 £'000	2012 £'000
Commitments contracted at 31 July	827	5,054
Authorised but not contracted at 31 July	3,117	6,799
	3,944	11,853

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:

	2013 £'000	2012 £'000
Income derived from the FX+ Ltd Group	31	119
Expenditure incurred with the FX+ Ltd Group	(3,374)	(2,235)
Payments by the FX+ Ltd Group on behalf of the University	6,634	14,383

Payments by FX+ Ltd on behalf of the University represent 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:

	2013 £'000	2012 £'000
Amount owing from University of Exeter to the FX+ Ltd Group	1,247	5,339
Amount due to University of Exeter from the FX+ Ltd Group	905	1,219

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:

	2013	2012
	£'000	£'000
Operating costs recharged to INTO University of Exeter LLP	1,422	1,615
Expenditure incurred with INTO University of Exeter LLP	302	330

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

	2013	2012
	£'000	£'000
Amount owing from INTO University of Exeter LLP	1,151	534
Amount due to INTO University of Exeter LLP	3	554

NOTE 33 ACCESS FUNDS

Summary of transactions for the year ended 31 July 2013

	2013	2012
	£'000	£'000
Balance at 1 August	8	11
Funding Council grants	163	183
Interest earned	2	2
	<u>173</u>	<u>196</u>
Disbursed to students	(162)	(180)
Administration costs	(7)	(8)
	<u>4</u>	<u>8</u>
Balance at 31 July	4	8

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.

NOTES TO THE ACCOUNTS

NOTE 34 NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP (NCTL) INITIAL TEACHER TRAINING BURSARIES

Summary of transactions for the year ended 31 July 2013

	2013	2012
	£'000	£'000
Balance at 1 August	5	167
NCTL grants received	3,586	678
Total NCTL training bursary funding available for the year	3,591	845
Disbursed to students	(3,477)	(840)
Balance at 31 July	114	5

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.

NOTE 35 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY

The Peninsula College of Medicine and Dentistry (PCMD) was a joint arrangement entered into by the University of Exeter and the University of Plymouth. Both Universities agreed to end the joint arrangement with effect from 1 August 2012 and the College admitted its last students in 2012. Existing PCMD students will continue to be jointly taught by the two universities throughout their studies until their graduation.

Significant transactions arising from the disaggregation include a capital contribution of £3 million from the University of Plymouth for the Research, Innovation, Learning and Development Centre (RILD) which is currently under construction on the Royal Devon and Exeter Hospital (Wonford) site in Exeter and a £500k payment from the University of Exeter to the University of Plymouth to assist it in developing a 5 year dentistry degree.

The University of Exeter Medical School was established on 1 August 2012 admitting its first intake of students in September 2013.

NOTE 36 POST BALANCE SHEET EVENTS

On the 18 September 2013 the University drew down £70 million in borrowing from the European Investment Bank (EIB). By drawing the funds in one tranche the interest rate was fixed at 3.689% for the 23 year term of the loan including a 3 year repayment holiday. This is a non-adjusting post balance sheet event which is material to the readers of the financial statements but does not change the year end position.



FIVE YEAR SUMMARY ACCOUNTS

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

INCOME AND EXPENDITURE

	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000
Income					
Funding body grants	58,314	68,534	74,815	71,631	67,670
Tuition fees and education contracts	119,808	93,745	81,261	74,181	60,037
Research grants and contracts	54,346	49,922	46,327	37,728	33,313
Other income	45,869	41,509	41,855	42,102	40,469
Endowment and investment income	2,023	3,295	1,912	1,572	1,721
Total income	280,360	257,005	246,170	227,214	203,210
Expenditure					
Staff costs	152,535	140,582	127,957	118,988	112,190
Other operating expenses	108,752	92,152	84,739	82,828	68,970
Depreciation	17,634	15,836	15,803	13,106	14,100
Impairment	–	5	3,121	2,559	–
Interest payable	5,110	4,967	4,883	5,522	4,875
Total expenditure	284,031	253,542	236,503	223,003	200,135
Operating (deficit)/surplus	(3,671)	3,463	9,667	4,211	3,075
Share of operating profit/(loss) in JV	1,632	1,556	869	801	228
Exceptional items	–	–	–	812	(36)
(Deficit)/surplus for the year on continuing operations	(2,039)	5,019	10,536	5,824	3,267
Transfer from endowments	900	(288)	640	301	383
(Deficit)/surplus for the year	(1,139)	4,731	11,176	6,125	3,650
HISTORIC COST RESULTS					
(Deficit)/surplus for the year on continuing operations	(2,039)	5,019	10,536	5,824	3,267
Historic cost adjustments	5,677	3,397	3,380	13,517	5,054
Historic cost surplus for the year	3,638	8,416	13,916	19,341	8,321

FIVE YEAR SUMMARY ACCOUNTS

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

BALANCE SHEET

	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000
Fixed assets	610,978	590,592	556,206	459,010	450,045
Endowment assets	29,148	23,488	23,884	21,074	18,102
Net current assets	17,994	12,688	10,883	27,981	22,480
Creditors: amounts falling due after more than one year	<u>(136,751)</u>	<u>(122,490)</u>	<u>(105,721)</u>	<u>(95,755)</u>	<u>(92,978)</u>
	521,369	504,278	485,252	412,310	397,649
Provisions for liabilities	–	–	(339)	(883)	(846)
Pension liability	<u>(20,189)</u>	<u>(13,571)</u>	<u>(12,361)</u>	<u>(13,088)</u>	<u>(20,255)</u>
Total net assets	<u>501,180</u>	<u>490,707</u>	<u>472,552</u>	<u>398,339</u>	<u>376,548</u>

Represented by:

Deferred capital grants	143,556	130,352	116,113	107,539	101,287
Endowment reserve	29,148	23,488	23,884	21,074	18,102
Revaluation reserve	259,107	263,899	264,721	215,551	229,763
Income and expenditure reserve	<u>69,369</u>	<u>72,968</u>	<u>67,834</u>	<u>54,175</u>	<u>27,396</u>
Total funds	<u>501,180</u>	<u>490,707</u>	<u>472,552</u>	<u>398,339</u>	<u>376,548</u>

	2012/13	2011/12	2010/11	2009/10	2008/09
Finance Strategy KPIs					
Earnings (EBITDA) as a % of Total Income	4.5%	7.5%	11.0%	9.4%	8.3%
Staff Cost ratio	54.7%	55.1%	52.4%	52.7%	55.5%
Debt Servicing Costs as a % of Earnings	46.2%	26.1%	18.0%	24.7%	33.7%
Net debt to EBITDA	6.3	3.8	2.1	1.8	2.3
Liquidity Days: Cash Balances	80.3	71.3	77.4	97.2	105.8
Liquidity Days: Cash balances and available RCF	100.8	94.3	102.6	123.7	135.2

NOTES

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