



University of Plymouth

2004
Financial
Statements



UNIVERSITY OF PLYMOUTH

HIGHER EDUCATION CORPORATION

Financial Statements

For the Year to

31 July 2004

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Foreword to the accounts for the year ended 31 July 2004

Scope of the financial statements

The financial statements comprise the consolidated results of the University and its wholly owned subsidiaries. The subsidiary companies undertake research, consultancy and technology transfer activities, nursing and allied healthcare training, together with the provision of conferences, car parking facilities and library services. Taxable profits are normally gifted to the University.

Results for the year

The University's consolidated income, expenditure and results for the year to 31 July 2004 are summarised as follows:-

	2003/04 £000	2002/03 £000
Income	<u>128,710</u>	<u>120,177</u>
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposals of assets but before taxation	(749)	742
Exceptional item: Profit on disposal of fixed assets	1,487	-
Taxation	-	(10)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount, and release in respect of disposals, demolitions, and impairments	1,265	1,101
Historical cost surplus for the year after taxation	<u><u>2,003</u></u>	<u><u>1,833</u></u>

The consolidated balance sheet demonstrates the continued investment being made by the University in new and upgraded teaching facilities and infrastructure. Fixed assets are now over £138m, with revenue reserves in excess of £35m.

Student numbers increased to 28,184 (up from 25,916), while staff employed increased by, on average, 14 FTEs to 2,499.

Capital expenditure and prepayments of rent

A major capital development programme has been initiated throughout the University, which has included the opening of the new £7.9m library extension. In addition, major refurbishment work has been completed to improve both the teaching facilities and the support infrastructure in Scott, Babbage, Smeaton and Davy Buildings. We have also contributed some £2.8m as advance rent to the Knowledge Spa in Cornwall, and to the Peninsula Medical School Building at the Tamar Science Park, in collaboration with the Peninsula Medical School and the NHS.

Disposals

In the year the University has disposed of various properties including 74 Queen Street, Exeter as being surplus to requirements in line with the restructuring policy of the University and its relocation and centralisation onto a single campus based in Plymouth.

Student Accommodation

A significant highlight of the year was the partnership arrangement entered into with Jarvis PPP, now named UPP (Plymouth Three) Limited, for the running of the Robbins and Gilwell Student Halls of Residence.

New Faculty Structure

The year has seen the reorganisation and creation of eight new Faculties: Health and Social Work, Arts, Science, Technology, Social Science and Business, Education, University of Plymouth Colleges and the Peninsula Medical School. This reorganisation was in accordance with the Restructuring of the University agreed by the Board of Governors in December 2002.

Treasury Management

The University's surplus cash deposits are invested in accordance with the University's Treasury Management Policy with both Tilney and London Asset Management. Monies are placed on the London short term money markets, with the prime requirement being to ensure that the capital sum is not at risk. It is the University's policy that no trading in financial instruments shall be undertaken and speculative practices avoided.

Foreword to the accounts for the year ended 31 July 2004 (continued)

Debtors Policy

In accordance with current policy, all University commercial debt is actively pursued from due date by regular automated reminder at the 30, 60 and 90 day point. Student debt is also pursued at pre-determined intervals and student sanctions apply for non-payment.

Creditors Payment Policy

In order to comply with the Late Payment of Debts Act, and to optimise its negotiating position with external suppliers, the University aims to settle all creditor payments within a maximum of 28 days from the receipt of a valid invoice. On average the University took 26 days to pay its creditors from the date of issue of the invoice (2002/03 27 days).

Student numbers

The following figures have been provided by the Corporate Information department as background information (FTE is the standard abbreviation for full time equivalents).

	2003/04		2002/03	
	Heads	FTE	Heads	FTE
Within the University (including Peninsula Medical School)	21,954	17,252	20,138	15,833
Further education college partnerships	6,230	4,469	5,778	4,118
Total	<u>28,184</u>	<u>21,721</u>	<u>25,916</u>	<u>19,951</u>

Employment policies

Employee Involvement

The Board of Governors has three staff members and has committed itself to maintain this representation and encourage full participation of staff in the activities of the Board and its sub-committees; including Audit Committee. The views, commitment and support offered by these staff are highly valued and make for effective communication throughout all areas of the University. Members of the University's senior management meet regularly with representatives of the trades unions recognised to represent the interests of academic, research and support staff through consultative and negotiating committees.

The University is committed to a staff appraisal system, with all staff participating annually. A continuous staff development policy exists, with a wide range of courses made available to all members of staff, covering such areas as information technology, presentation skills, personal development, finance and accountancy and other interpersonal skills. Faculties and Divisions are encouraged to make available some 3% of their budgetary allocation towards staff development for all staff.

Staff are advised in accordance with the University's agreed employment policy procedures for all matters affecting staff employment directly. Each Faculty/Division is allocated a personnel adviser.

Equal opportunities

The University of Plymouth is committed to equal opportunities both as an employer and in the provision of education. As an employer its aim is to ensure that all employees are recruited on the basis of ability and the requirements of the job, and that they are employed and retained in a non-discriminatory manner. Regular courses are run for staff in this area.

Employment of disabled persons

Full and fair consideration is given to employment and opportunities for training and development of those with disabilities where suitable opportunities arise. If the employee becomes disabled every effort is made to ensure their continued employment. A recent appointment has been that of an Occupational Health professional for the benefit of all staff.

Health and safety

The University of Plymouth promotes all aspects of health and safety in the interest of employees, students and users of its premises. A safety officer is employed, a revised safety policy was recently launched and regular safety courses are run for all members of staff. An annual safety inspection carried out by the safety officer assesses the level of compliance within a faculty/department and when necessary, makes recommendations for improvement.

Foreword to the accounts for the year ended 31 July 2004 (continued)

Governors' Remuneration

Governors receive no remuneration from the University in respect of their activities undertaken whilst acting as a Governor.

Governors' Insurance

The University maintains insurance for its Governors in pursuance of their duties as Governors of the Institution.

Finally we would like to thank all staff in underpinning the continued success of the University.



Sir Brian Pearse
Chairman of the Board of Governors
December 2004



Professor Roland Levinsky
Vice-Chancellor and Chief Executive
December 2004

Corporate Governance Statement

The University is committed to best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Board of Governors, the University complies with all the provisions of the Combined Code in so far as they apply to the Higher Education Sector, and it has complied throughout the year ended 31 July 2004.

Governance structure

Governance of the University is carried out in accordance with the Instrument and Articles of Government. The University's Board of Governors, which meets formally four times a year, comprises twenty-one non-executive governors plus the Vice-Chancellor as an ex-officio executive member. The majority of governors are independent lay members with experience of industry, the professions, commercial or employment matters, or education; there are also two academic staff members, one member of administrative staff and one student member. All members are appointed in accordance with the provisions of the Articles.

There is a clear separation of the roles of the non-executive Chair of the Board of Governors and the Vice-Chancellor and Chief Executive. The Board of Governors approves the University's long-term strategic objectives, budgets and financial controls. The Vice-Chancellor, supported by the Chancellery, is responsible for the leadership and management of the University and for ensuring that the University meets its academic and financial objectives. To this end, senior managers make regular reports to the Board about ongoing developments, in addition to seeking specific approval for matters retained within the authority of the Board. These responsibilities are more closely defined in the University's Articles of Government and in the Financial Memorandum with the Higher Education Funding Council for England and the Funding Agreement with the Teacher Training Agency.

The Articles require that the Board of Governors establish (a) Finance and Employment Committee(s) and an Audit Committee. The Board amended its committee structure, with effect from October 2002, to ensure that key strategic discussions involve the full Board, and to separate the Finance and Employment functions. The Finance Committee comprises five non-executive governors (including the Chair of the Board) and the Vice-Chancellor and meets three times a year to consider the draft accounts and make recommendations to the Board about the University's financial strategy, budget papers and Statements of Account. The Employment and Remuneration Committee comprises six independent governors and the Vice-Chancellor and is chaired by the Vice-Chair of the Board of Governors. It considers and makes recommendations to the Board about the framework for the terms and conditions of employment of staff and matters relating to individual staff or groups of staff. It also determines the remuneration of the most senior staff, including the Vice-Chancellor (who withdraws when his own remuneration is under review); the Chair of the Board takes the Chair of the meeting for discussion of senior staff remuneration.

The Audit Committee is chaired by an independent governor, and comprises two other non-executive governors, two co-opted members external to the University, and one staff member. The Committee meets four times a year and its chief purpose is to give assurance to the Board of Governors regarding the adequacy and effectiveness of the systems of internal control. The Committee considers detailed reports from the internal auditors, together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It considers reports from the Higher Education Funding Council for England as appropriate, and monitors adherence to regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The internal auditors are present at every meeting. The Committee meets with the external auditors on two occasions during the year, initially to discuss the external audit plan and subsequently to consider the management letter. Members of the Audit Committee are formally debarred from membership of the Finance Committee and of the Employment & Remuneration Committee.

The Nominations Committee comprising three non-executive lay governors (including the Chair and Vice-Chair), one staff governor, the Vice-Chancellor and one deputy Vice-Chancellor, considers nominations for vacancies in Board of Governors membership under the relevant Articles of Government. Nominations are secured through public advertisement and interview.

In respect of its responsibilities for the educational character and mission of the University, the Board receives recommendations and advice from the Academic Board, the composition of which is also laid down in the Articles.

Formal Statement of the Board of Governors' Responsibilities

In accordance with the University's Articles of Government, the Board of Governors, through the Vice-Chancellor, is responsible for the administration and management of the University's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

Within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council For England and the University, the Board of Governors, through the Vice-Chancellor, is required to prepare Financial Statements for each financial year which give a true and fair view of the University's state of affairs and of the surplus or deficit and cash flows for that year. The Board is also responsible, through the Vice-Chancellor, for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University. In causing the Financial Statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- the University 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.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that funds from the Teacher Training Agency are used only for the purposes for which they have been given and in accordance with the Funding Agreement with the Teacher Training Agency and any other conditions which the Teacher Training Agency 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 prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The Board engages in regular internal review of its own performance, involving interviews with all Governors and with members of Chancellery. A review was undertaken in 2003/2004 and reported to the Board in July 2004.

Risk management

The role of the Board of Governors is to manage and report on risk at a strategic level, by determining the University's risk appetite and the acceptable risk level, satisfying itself that the University's actual levels of risk do not exceed the agreed levels, approving major decisions affecting the University's risk profile, monitoring the management of corporate risks, setting the tone and influencing the culture of risk management within the University, and satisfying itself that the processes for embedding risk management are working effectively.

The Audit Committee considers regular reports from the risk manager and the internal auditors on risk management generally and on the management of specific risks and provides advice to the Board of Governors on the effectiveness of the University's internal control arrangements. The Vice Chancellor and Chancellery implement the risk management arrangements approved by the Board of Governors, identify, evaluate and monitor the corporate risks faced by the University and ensure that managers within the University fulfil their responsibilities for risk management.

The Board of Governors' agenda includes a regular item for consideration of risk and control. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on 17 December 2004, Board of Governors carried out the annual assessment for the year ended 31 July 2004 by considering the Corporate Risk Register, reports from the Audit Committee and the internal auditors, and taking account of events since 31 July 2004.

Full statement of internal control

The Board of Governors is responsible for maintaining a sound system of internal control to support the achievement of the University's policies, aims and strategic objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Board in the Articles of Government and the Financial Memorandum. The Board of Governors is also responsible for reviewing the effectiveness of the internal control system.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve strategic objectives. It can therefore provide a reasonable, not absolute, assurance of effectiveness. The system is based on an ongoing process designed to identify, evaluate and manage, efficiently, effectively and economically, the strategic risks facing the University. This process has been in place for the year ended 31 July 2004 and up to the date of approval of the financial statements, and accords with HEFCE guidance. The University is therefore fully compliant with Funding Council requirements.

The review of the effectiveness of the system of internal control is informed by the work of PricewaterhouseCoopers, the University's internal auditors. The internal auditors submit an annual report to the Audit Committee and the Board of Governors which includes an independent opinion on the adequacy and effectiveness of the institution's overall system of internal control, with recommendations for improvement.

The review of the effectiveness of the system of internal control is also informed by the work of senior managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Independent auditors report to the Board of Governors of University of Plymouth

We have audited the financial statements on pages 10 to 39 which comprise the consolidated income and expenditure account, the consolidated balance sheet, the consolidated cashflow statement, the consolidated statement of historical cost surpluses and deficits, and the related notes, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 10 to 12.

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors 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 any responsibility to anyone other than the Board of Governors, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Board of Governors and the auditors

The University's Governors are responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Teacher Training Agency.

We also report to you if, in our opinion, the Foreword is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Foreword (including the corporate governance statement), and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University's Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors report to the Board of Governors of University of Plymouth (continued)

Opinion

In our opinion:

- a. the financial statements give a true and fair view of the state of affairs of the University and the group as at 31 July 2004 and of the group's surplus of income over expenditure, recognised gains and losses, and cash flows for the year then ended, and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- b. in all material respects, income from the Higher Education Funding Council for England, the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2004 have been applied for the purposes for which they were received;
- c. in all material respects, income during the year ended 31 July 2004 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum 00/25 and 03/25 with the Higher Education Funding Council for England, and the funding agreement with the Teacher Training Agency.

KPMG

KPMG LLP

Chartered Accountants
Registered Auditor

Statement of Principal Accounting Policies

Basis of preparation

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

Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain land and buildings.

Basis of consolidation

The consolidated financial statements include the University and all its subsidiary undertakings for the financial year to 31 July 2004. Intra-company sales and profits are eliminated fully on consolidation. In accordance with FRS 2 Accounting for subsidiary undertakings, the consolidated financial statements do not include those of the University of Plymouth Students' Union, as it is a separate organisation in which the University has no financial interest and no control or significant influence over policy decisions. Where the University is party to a joint arrangement which is not an entity, the University accounts directly for its part of the income, expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Recognition of 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 contributions towards overhead costs. All income from short-term deposits and general endowment asset investments is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Councils 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.

Maintenance of premises

The University has produced a costed long-term maintenance plan for buildings. In accordance with the requirements of FRS 12 Provisions, Contingent Liabilities and Contingent Assets, the cost of maintenance is charged to the income and expenditure accounts as incurred.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions.

Pension schemes

Retirement benefits for employees are provided by defined benefit schemes which are funded by contributions from the University and employees. Most academic staff are members of the Department for Education's Teachers' Pension Scheme. There are particular circumstances in which a few members of staff are eligible for the Universities' Superannuation Scheme and some members of the Peninsula Medical School are eligible for membership of the Department of Health's NHS Pension Scheme. Most other salaried employees and many weekly paid employees are members of the Local Government Pension Scheme run by Devon County Council. All schemes are independently administered.

Statement of Principal Accounting Policies (continued)

Pension schemes (continued)

Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of the pensions over the employees' working lives with the University in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. Variations from regular costs are spread over the expected average remaining working lifetime of members of the schemes after making allowances for further withdrawals.

The Teachers' Pension Scheme is valued every five years by the Government Actuary who specifies the contribution rate paid by the University. The Department for Education operates a notional fund for this scheme. The University has no liability for pensions or pension increases for past employees in this scheme.

The University participates in the Universities' Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of the State Second Pension (S2P). The liabilities are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services.

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 Local Government Superannuation Scheme is a defined benefits scheme and is valued every three years by a professionally qualified actuary using the projected unit method, the rates of contribution payable being determined by the actuary.

Tangible fixed assets

a. Land and buildings

The University has taken advantage of the transitional arrangements available on the first adoption of FRS 15 Tangible Fixed Assets not to update the value of its land and buildings. The land and buildings were the subject of a comprehensive revaluation carried out by Chesterton property consultants as at 31 March 1990. The basis of valuation is in accordance with the Royal Institute of Chartered Surveyors' guidance notes. These direct that, where possible, assets should be valued on the basis of existing use or open market value. The guidance notes recognise that in the case of specialist buildings this may not always be possible and in those cases valuation should be on the basis of depreciated replacement cost. The consultants used both approaches in their valuation.

As part of the same survey the property consultants estimated the remaining life of each building, typically 20 to 50 years. Buildings acquired after the survey are shown at cost less depreciation based on a life of 50 years. All buildings are depreciated on a straight line basis. Land is not depreciated.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Assets in the course of construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Statement of Principal Accounting Policies (continued)

Tangible fixed assets (continued)

Finance costs which are directly attributable to the construction of buildings are not capitalised as part of the cost of those assets.

b. Equipment

Equipment costing less than £15,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its useful economic life using the straight-line method. The life of each asset is established on acquisition and may fall within the range of three to ten years depending on its nature. For a group of related items of computer equipment purchased as part of a networking/software enhancement programme, the life is established by reference to the date of the next proposed upgrade.

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

Leased assets

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

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value. Endowment asset investments are included in the balance sheet at market value. Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value, and relate to short term deposits.

Stocks

Stocks represent consumable materials held by catering outlets, materials held by Information and Learning Services and livestock and related items held by the farm at Seale Hayne. They are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

Provisions are recognised when the institution has a present legal or constructive obligation where, as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Consolidated income and expenditure account
for the year ended 31 July 2004**

	Notes	Year ended 31 July 2004 £000	Year ended 31 July 2003 £000
INCOME			
Funding Council grants	1	72,351	65,700
Tuition fees and education contracts	2	35,306	31,065
Research grants and contracts	3	6,431	5,798
Other income	4	14,213	17,088
Endowment and investment income	5	409	526
Total income		128,710	120,177
EXPENDITURE			
Staff costs	6	(74,921)	(70,748)
Other operating expenses	8	(47,312)	(42,460)
Depreciation	12	(5,281)	(4,645)
Interest payable	10	(1,945)	(1,582)
Total expenditure		(129,459)	(119,435)
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		(749)	742
Exceptional item:			
Profit on disposal of fixed assets		1,487	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of fixed assets and before tax		738	742
Taxation		-	(10)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax		738	732

The income and expenditure account is in respect of continuing activities.

There were no operations that were acquired or discontinued by the University during the year.

**Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2004**

	Notes	2003/04 £000	2002/03 £000
Surplus on continuing operations before taxation	11	738	742
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	1,071	1,101
Released in respect of disposals, demolitions and impairments	22	194	-
Historical cost surplus for the year before taxation		2,003	1,843
Historical cost surplus for the year after taxation		2,003	1,833

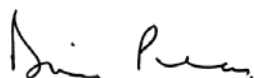
**Statement of total recognised gains and losses
for the year ended 31 July 2004**

	Notes	2003/04 £000	2002/03 £000
Surplus on continuing operations after depreciation of assets at valuation and taxation		738	732
HEFCE contributions to loan repayments	22	273	281
Total recognised gains relating to the year		<u>1,011</u>	<u>1,013</u>
Reconciliation		2003/04 £000	2002/03 £000
Opening reserves and endowments		72,216	71,203
Total recognised gains for the year		1,011	1,013
Closing reserves and endowments		<u>73,227</u>	<u>72,216</u>

Balance sheet as at 31 July 2004

	Notes	Consolidated 2004 £000	University 2004 £000	Consolidated 2003 £000	University 2003 £000
Fixed assets					
Tangible assets	12	138,704	133,224	133,601	133,432
Investments	13	54	38	43	138
		138,758	133,262	133,644	133,570
Endowment asset investments	14	28	28	28	28
Current assets					
Stock		273	246	274	274
Debtors – amounts falling after more than one year	15	10,211	10,211	-	-
Debtors – amounts falling due within one year	15	12,051	17,857	9,960	12,076
Investments (liquid resources)		5,524	4,879	6,090	3,735
Cash at bank and in hand		2,606	2,252	2,190	1,663
		30,665	35,445	18,514	17,748
Creditors: amounts falling due within one year	16	(23,780)	(23,577)	(24,574)	(23,658)
Net current assets/ (liabilities)		6,885	11,868	(6,060)	(5,910)
Total assets less current liabilities		145,671	145,158	127,612	127,688
Creditors: amounts falling due after more than one year	17	(42,785)	(42,763)	(36,335)	(36,167)
Provisions for liabilities and charges	19	(5,018)	(5,018)	(5,263)	(5,263)
NET ASSETS		97,868	97,377	86,014	86,258
Deferred capital grants	20	24,641	24,641	13,798	13,798
Endowments					
Specific	21	28	28	28	28
Reserves					
Revaluation reserve	22	38,041	38,041	39,033	39,033
General reserve	23	35,158	34,667	33,155	33,399
Total reserves		73,199	72,708	72,188	72,432
TOTAL		97,868	97,377	86,014	86,258

The financial statements on pages 10 to 39 were approved by the Board of Governors on 17 December 2004 and were signed on its behalf by:



Sir Brian Pearse
Chairman of the Board of Governors



Professor Roland Levinsky
Vice-Chancellor and Chief Executive

**Consolidated cash flow statement
for the year ended 31 July 2004**

	Notes	2003/04 £000	2002/03 £000
Cash flow from operating activities	24	(6,823)	6,845
Returns on investments and servicing of finance	25	(1,495)	(1,083)
Capital expenditure and financial investment	26	1,461	(17,508)
Management of liquid resources	28	566	8,333
Taxation paid		(10)	-
Financing	27	7,007	3,945
		<hr/>	<hr/>
Increase in cash in the year		<u>706</u>	<u>532</u>

Reconciliation of net cash flow to movement in net debt

		2003/04 £000	2002/03 £000
Increase in cash in the year	28	706	532
Cash inflow from new secured loan		(8,265)	(5,000)
Cash inflow from liquid resources	28	(566)	(8,333)
Cash outflow from repayment of loans	27	1,258	1,055
		<hr/>	<hr/>
Movement in net debt in year		(6,867)	(11,746)
Net debt at 1 August	28	(29,876)	(18,130)
		<hr/>	<hr/>
Net debt at 31 July	28	<u>(36,743)</u>	<u>(29,876)</u>

Notes to the accounts

1 Funding Council grants

	HEFCE £000	TTA £000	2003/04 Total £000	2002/03 Total £000
Recurrent teaching grant	53,911	2,687	56,598	54,958
Recurrent research grants	2,746	-	2,746	2,993
Specific grants:				
Other	12,341	117	12,458	7,395
Releases of deferred capital grants:				
Buildings (note 20)	301	-	301	130
Equipment (note 20)	248	-	248	224
	<hr/>	<hr/>	<hr/>	<hr/>
Total	69,547	2,804	72,351	65,700
	<hr/>	<hr/>	<hr/>	<hr/>

2 Tuition fees and education contracts

	2003/04 £000	2002/03 £000
Full-time UK & European Union (EU) students	12,829	12,530
Full-time Non-EU students	6,723	5,532
Part-time students	1,495	1,278
Special & short course fees	475	686
Total fees paid by or on behalf of individual students	<hr/>	<hr/>
	21,522	20,026
Education contracts	13,784	11,039
	<hr/>	<hr/>
Total	35,306	31,065
	<hr/>	<hr/>

3 Research grants and contracts

	2003/04 £000	2002/03 £000
Research councils	1,710	1,653
UK based charities	1,088	764
European Commission	44	104
Other grants and contracts	3,584	3,277
Releases of deferred capital grants re equipment (note 20)	5	-
	<hr/>	<hr/>
Total	6,431	5,798
	<hr/>	<hr/>

Notes to the accounts (continued)

4 Other income

	2003/04 £000	2002/03 £000
Residences, catering and conferences	4,382	4,426
Other grant income	2,688	5,791
Other income	7,143	6,871
	<hr/>	<hr/>
Total	14,213	17,088
	<hr/> <hr/>	<hr/> <hr/>

5 Endowment and investment income

	2003/04 £000	2002/03 £000
Investment income (non-endowment income)	409	526
	<hr/>	<hr/>

6 Staff costs

The average weekly number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents (FTEs), was:	2003/04 Number	2002/03 Number
Teaching departments	1,421	1,393
Academic support services	247	242
Administration and central services	321	303
Premises	306	302
Other income-generating activities	90	131
Catering and residences	114	114
	<hr/>	<hr/>
Total	2,499	2,485
	<hr/> <hr/>	<hr/> <hr/>

Notes to the accounts (continued)

6 Staff costs (continued)

	2003/04 £000	2002/03 £000
Wages and salaries	63,614	62,050
Social security costs	5,022	4,276
Other pension costs	6,285	4,422
	<hr/>	<hr/>
Total	74,921	70,748
	<hr/> <hr/>	<hr/> <hr/>
	2003/04 £000	2002/03 £000
Employment costs for staff on permanent contracts	57,638	55,861
Employment costs for staff on short-term and temporary contracts	17,283	14,887
	<hr/>	<hr/>
Total	74,921	70,748
	<hr/> <hr/>	<hr/> <hr/>

The University incurred additional staff costs of £388,000 (£1,027,000 in 2002/2003) arising from its early retirement scheme, but offset against this is a release of provision in respect of staff previously provided for who have left of £344,000 (£1,315,000 in 2002/2003) .

7 Senior post-holders' emoluments

Emoluments of the Vice-Chancellor:	2003/04 Total	2002/03 Total
	£	£
Salary	175,785	165,417
Benefits in kind	11,790	10,564
	<hr/>	<hr/>
Total (No pension contributions made in respect of the Vice-Chancellor)	187,575	175,981
	<hr/> <hr/>	<hr/> <hr/>

The number of staff, including staff in the Peninsula Medical School, excluding the Vice-Chancellor, who received emoluments in the following ranges, excluding employer's pension contributions, were:

	2003/04 Number	2002/03 Number
£70,000 - £79,999	3	5
£80,000 - £89,999	3	4
£90,000 - £99,999	4	5
£100,000 - £109,999	1	3
£110,000 - £119,999	4	-
£120,000 - £129,999	1	-
£130,000 - £139,999	2	-

The aggregate total of these senior staff emoluments was £2,010,000 (2002/03: £1,502,000), including benefits in kind.

Notes to the accounts (continued)

8 Other operating expenses

	2003/04 £000	2002/03 £000
Payments to partner institutions (see note below)	14,929	12,860
Residences, catering and conferences operating expenses	1,349	1,589
Consumables	4,968	4,956
Books and periodicals	1,493	1,273
Heat, light, water and power	963	1,447
Repairs and general maintenance	1,612	1,047
Grants to University of Plymouth Students' Union	730	686
Rents	1,931	1,698
Equipment	2,108	2,613
External auditors' remuneration	46	47
External auditors' remuneration in respect of non-audit services	84	135
Internal auditors' remuneration	61	60
Hire of other assets	979	283
Other expenses	16,059	13,766
	<u>47,312</u>	<u>42,460</u>

Associated partner colleges delivering University of Plymouth programmes are funded by the University which obtains matching HEFCE income. These funds are managed separately from internal University HEFCE funds.

The unconsolidated audit fee for the University only was £30,000 (2002/2003: £37,000).

9 Analysis of staff costs and other operating expenses by activity

	Staff costs		Other operating expenses	
	2003/04 £000	2002/03 £000	2003/04 £000	2002/03 £000
Teaching departments	50,163	46,177	27,238	25,111
Academic support services	5,804	5,531	7,426	4,697
Administration and central services	9,985	9,134	5,452	4,316
Premises	4,572	4,375	3,944	3,747
Other income-generating activities	2,819	3,994	2,028	2,881
Catering and residences	1,578	1,537	1,224	1,708
	<u>74,921</u>	<u>70,748</u>	<u>47,312</u>	<u>42,460</u>

Notes to the accounts (continued)**10 Interest payable**

	2003/04 £000	2002/03 £000
On bank loans wholly repayable in more than five years	1,688	1,307
On other loans wholly repayable in more than five years	257	275
	<hr/>	<hr/>
Total	1,945	1,582
	<hr/> <hr/>	<hr/> <hr/>

11 Surplus on continuing operations for the year

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

	2003/04 £000	2002/03 £000
University's surplus/ (deficit) for the year	101	(526)
Surpluses generated by subsidiary undertakings and payable to the University under the Gift Aid Regulations	764	1,149
Surpluses generated by subsidiary undertakings but retained within subsidiaries	-	109
Losses incurred by subsidiary undertakings	(127)	-
	<hr/>	<hr/>
Surplus on continuing operations for the year	738	732
	<hr/> <hr/>	<hr/> <hr/>

Notes to the accounts (continued)

12 Tangible fixed assets (consolidated)

	Land and buildings				
	Assets in course of construction £000	Freehold £000	Long leasehold £000	Equipment £000	Total £000
Cost or valuation					
At 1 August 2003					
Valuation	-	59,377	-	-	59,377
Cost	6,059	86,653	2,387	19,939	115,038
Total	6,059	146,030	2,387	19,939	174,415
Additions (cost)	12,681	30	-	1,307	14,018
Transfers (cost)	(4,038)	4,030	-	8	-
Transfers to prepayments (cost)	(3,140)	-	-	-	(3,140)
Disposals (cost)	-	(487)	-	(1,123)	(1,610)
Disposals (valuation)		(349)	-	-	(349)
At 31 July 2004					
Valuation	-	59,028	-	-	59,028
Cost	11,562	90,226	2,387	20,131	124,306
Total	11,562	149,254	2,387	20,131	183,334
Depreciation					
At 1 August 2003	-	27,131	401	13,282	40,814
Charge for year	-	3,184	44	2,053	5,281
Eliminated in respect of disposals	-	(330)	-	(1,135)	(1,465)
At 31 July 2004	-	29,985	445	14,200	44,630
Net book value					
At 31 July 2004	11,562	119,269	1,942	5,931	138,704
At 1 August 2003	6,059	118,899	1,986	6,657	133,601
Inherited	-	37,005	-	-	37,005
Financed by capital grant	-	23,125	-	1,516	24,641
Other	11,562	59,139	1,942	4,415	77,058
Net book value at 31 July 2004	11,562	119,269	1,942	5,931	138,704

The depreciation charge has been funded by:

	2003/04 £000	2002/03 £000
Revaluation reserve release	1,071	1,101
Deferred capital grant	554	354
General income	3,656	3,190
	<u>5,281</u>	<u>4,645</u>

Notes to the accounts (continued)

12 Tangible fixed assets (University)

	Land and buildings				
	Assets in course of construction £000	Freehold £000	Long leasehold £000	Equipment £000	Total £000
Cost or valuation					
At 1 August 2003					
Valuation	-	59,377	-	-	59,377
Cost	6,059	86,492	2,387	19,829	114,767
Total	6,059	145,869	2,387	19,829	174,144
Additions (cost)	8,581	30	-	947	9,558
Transfers (cost)	(4,038)	4,030	-	8	-
Transfers to prepayments (cost)	(3,140)	-	-	-	(3,140)
Transfers to other group companies (cost)	(966)	-	-	-	(966)
Disposals (cost)	-	(484)	-	(1,123)	(1,607)
Disposals (valuation)	-	(349)	-	-	(349)
At 31 July 2004					
Valuation	-	59,028	-	-	59,028
Cost	6,496	90,068	2,387	19,661	118,612
Total	6,496	149,096	2,387	19,661	177,640
Depreciation					
At 1 August 2003	-	27,090	401	13,221	40,712
Charge for year	-	3,176	44	1,949	5,169
Eliminated in respect of disposals	-	(330)	-	(1,135)	(1,465)
At 31 July 2004	-	29,936	445	14,035	44,416
Net book value					
At 31 July 2004	6,496	119,160	1,942	5,626	133,224
At 1 August 2003	6,059	118,779	1,986	6,608	133,432
Inherited	-	37,005	-	-	37,005
Financed by capital grant	-	23,125	-	1,516	24,641
Other	6,496	59,030	1,942	4,110	71,578
Net book value at 31 July 2004	6,496	119,160	1,942	5,626	133,224

Notes to the accounts (continued)

13 Investments

	Consolidated	University	Consolidated	University
	2004	2004	2003	2003
	£000	£000	£000	£000
Shares in subsidiary companies	-	1	-	101
Other investments other than loans	54	37	43	37
	<hr/>	<hr/>	<hr/>	<hr/>
Total	54	38	43	138
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The University owns 100% of the issued share capital of 100 £1 ordinary shares of UPTC Limited, a company limited by shares and registered in England and Wales to engage in the provision of conference, catering, car parking facilities and library services on the four campuses of the University of Plymouth.

The University owns 100% of the issued share capital of 100,000 £1 ordinary shares of University of Plymouth Enterprise Limited, a company limited by shares and registered in England and Wales to undertake research and consultancy projects utilising the resources of the University of Plymouth. This investment has been fully provided for in the university accounts, since it is uncertain that the company will make any future profits.

The University owns 100% of PEP (Research and Consultancy) Limited, a company limited by guarantee and registered in England and Wales to undertake research and consultancy projects utilising the resources of the University of Plymouth. It is intended that the company will become dormant.

The University owns 100% of the issued share capital of 1000 £1 ordinary shares of Plymouth Healthcare Education Limited, a company limited by shares and registered in England and Wales to engage in the provision of nursing and allied healthcare training.

The University owns 100% of the issued share capital of 1 £1 ordinary share of PMS (Facilities) Plymouth Limited, a company limited by shares and registered in England and Wales to provide facilities management. The company is currently dormant.

The University owns 100% of the issued share capital of 100 £1 ordinary shares of UPEC Limited, a company limited by shares and registered in England and Wales. The University also owns 100% of Gibbon Street Plymouth Limited, a company limited by guarantee and registered in England and Wales. Both companies are currently dormant.

The University is a member of the Tamar Science Park Limited, a company limited by guarantee and incorporated in England and Wales to secure the development of a science park in Plymouth. The other members are Plymouth City Council and Prosper. The University's liability is limited to £1. The University nominates two of the directors. The company has not been consolidated into these financial statements, since the University does not have a significant influence over its activities. The company has published its accounts for the year to 5 April 2004. The University has provided in full for the cost of the investment of £200,000.

The University is a member of Marinotech South Limited, a company incorporated in England and Wales to carry out research management. The University holds one of the seven issued shares, its liability is limited to £1 and it nominates one of the directors. The company has published its accounts for the year to 31 December 2003 and they have not been consolidated within these statements.

The University is a member of South West England Regional Network Ltd, a company limited by guarantee, incorporated in England and Wales and contracted by UKERNA to manage and administer the South West Regional Network. The other members are University of Bristol, University of Bath, University of the West of England and University of Exeter. The University's liability is limited to £1. The University nominates one of the directors. The company has not been consolidated into these financial statements, since the University does not have a significant influence over its activities. The company has published its accounts for the year to 30 September 2003.

Notes to the accounts (continued)

14 Endowment asset investments

	Consolidated and University	
	2003/04 £000	2002/03 £000
Balance at 1 August and 31 July, represented by cash balances	<u>28</u>	<u>28</u>

15 Debtors

	Consolidated 2004 £000	University 2004 £000	Consolidated 2003 £000	University 2003 £000
Amounts falling due within one year:				
Debtors	4,202	2,762	3,292	2,526
Amounts owed by group undertakings:				
subsidiary undertakings	-	12,780	-	4,354
associate undertakings	4	4	-	-
Other debtors	165	127	314	210
Prepayments and accrued income	7,680	2,184	6,354	4,986
Total	<u>12,051</u>	<u>17,857</u>	<u>9,960</u>	<u>12,076</u>
Amounts falling due after more than one year:				
Other debtors	6,251	6,251	-	-
Prepayments and accrued income	3,960	3,960	-	-
Total	<u>10,211</u>	<u>10,211</u>	<u>-</u>	<u>-</u>
Total debtors	<u>22,262</u>	<u>28,068</u>	<u>9,960</u>	<u>12,076</u>

Notes to the accounts (continued)

16 Creditors: amounts falling due within one year

	Consolidated 2004 £000	University 2004 £000	Consolidated 2003 £000	University 2003 £000
Devon County Council loan principal	274	274	274	274
Bank loans (see note 17)	1,479	1,479	1,068	1,068
Bank overdrafts	385	385	675	675
Trade creditors	2,478	1,794	2,947	2,836
Amounts owed to group undertakings:				
subsidiary undertakings	-	1,105	-	407
Corporation Tax payable	-	-	10	-
Other creditors including taxation and social security	1,478	1,975	2,792	2,589
Accruals	7,352	6,776	8,308	7,787
Deferred income	10,334	9,789	8,500	8,022
Total	<u>23,780</u>	<u>23,577</u>	<u>24,574</u>	<u>23,658</u>

17 Creditors: amounts falling due after more than one year

	Consolidated 2004 £000	University 2004 £000	Consolidated 2003 £000	University 2003 £000
Secured Loans*	37,544	37,544	30,575	30,575
Unsecured loans **	1,375	1,375	1,475	1,475
Devon County Council loan principal ***	3,844	3,844	4,117	4,117
Deferred income	22	-	168	-
Total	<u>42,785</u>	<u>42,763</u>	<u>36,335</u>	<u>36,167</u>

* Loans repayable by instalments until 2028, the current rate of interest is 5.3%. The freehold properties held as security are the Portland Square development, Cookworthy House and the Robbins Complex. The net book value of these properties is £48,235,000 (2002/2003 £49,863,000).

** Loans repayable by instalments until 2019, the current rate of interest is 5.5%.

*** Repayable between the years 2004 and 2034, the current rate of interest is 5.9%.

Notes to the accounts (continued)

18 Borrowings

Bank loans and other loans

	Consolidated and University	
	2004 £000	2003 £000
Bank loans and other loans are repayable as follows:		
in one year or less	1,752	1,342
between one and two years	1,848	1,617
between two and five years	5,865	5,126
in five years or more	35,051	29,424
Total	<u>44,516</u>	<u>37,509</u>

19 Provisions for liabilities and charges

	Consolidated and University	
	2003/04 £000	2002/03 £000
Enhanced pension provisions		
At 1 August	5,263	5,845
Expenditure in the year	(290)	(294)
Transferred from/(to) income and expenditure account	45	(288)
At 31 July	<u>5,018</u>	<u>5,263</u>

The SSAP 24 pension provision is in respect of the future costs of lump sum payments and enhanced pensions payable to staff who have agreed terms for early retirement.

20 Deferred capital grants

	Consolidated and University			Total 2002/03 £000
	Buildings 2003/04 £000	Equipment 2003/04 £000	Total 2003/04 £000	
At 1 August	12,199	1,599	13,798	12,368
Cash receivable from funding council grant	11,227	170	11,397	1,784
Released to income and expenditure account	(301)	(253)	(554)	(354)
At 31 July	<u>23,125</u>	<u>1,516</u>	<u>24,641</u>	<u>13,798</u>

Notes to the accounts (continued)

21 Endowments (specific)

	Consolidated and University	
	2003/04	2002/03
	£000	£000
At 1 August and 31 July	28	28

22 Revaluation reserve

	Consolidated and University	
	2003/04	2002/03
	£000	£000
At 1 August	39,033	39,853
Contributions in year from Funding Council	273	281
Transfer from revaluation reserve to general reserve in respect of:		
- depreciation on revalued assets	(1,071)	(1,101)
- disposal, demolition and impairment of assets	(194)	-
At 31 July	38,041	39,033

23 Movement on general reserves

	Consolidated	University	Consolidated	University
	2003/04	2003/04	2002/03	2002/03
	£000	£000	£000	£000
Income and expenditure account reserve				
At 1 August	33,155	33,399	31,322	31,676
Surplus on continuing operations before transfer from revaluation reserve	738	3	732	622
Transfer from revaluation reserve				
- in respect of depreciation	1,071	1,071	1,101	1,101
- in respect of disposals, demolitions and impairments	194	194	-	-
Historical cost surplus	2,003	1,268	1,833	1,723
Balance at 31 July	35,158	34,667	33,155	33,399

Notes to the accounts (continued)

24 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2003/04	2002/03
	£000	£000
Surplus on continuing operations after depreciation of assets at valuation and before taxation	738	742
Depreciation	5,281	4,645
Deferred capital grants released to income	(554)	(354)
(Profit)/loss on disposal of tangible fixed assets	(1,487)	26
Interest payable (note 10)	1,945	1,582
Decrease in stocks	1	75
(Increase)/Decrease in debtors	(12,663)	1,427
Increase/(Decrease) in creditors	297	(471)
Decrease in provisions	(245)	(582)
Interest receivable (note 5)	(409)	(526)
HEFCE contribution in year to loan repayments	273	281
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(6,823)	6,845

25 Returns on investments and servicing of finance

	2003/04	2002/03
	£000	£000
Other interest received	409	526
Interest paid	(1,904)	(1,609)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(1,495)	(1,083)

26 Capital expenditure and financial investment

	2003/04	2002/03
	£000	£000
Purchase of tangible fixed assets	(12,277)	(18,306)
Sale of tangible fixed assets	1,991	18
Deferred capital grants received	11,758	780
Purchase of investments	(11)	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from capital expenditure and financial investment	1,461	(17,508)

Notes to the accounts (continued)

27 Financing

	2003/04 £000	2002/03 £000
New secured loan	8,265	5,000
Repayment of amounts borrowed	(1,258)	(1,055)
Net cash inflow from financing	<u>7,007</u>	<u>3,945</u>

28 Analysis of changes in net funds

	At 1 August 2003 £000	Cashflows £000	Other changes £000	At 31 July 2004 £000
Cash in hand, and at bank	2,190	416	-	2,606
Endowment asset investments (note 14)	28	-	-	28
Overdrafts	(675)	290	-	(385)
	<u>1,543</u>	<u>706</u>	<u>-</u>	<u>2,249</u>
Debt due within one year	(1,342)	1,342	(1,753)	(1,753)
Debt due after one year	(36,167)	(8,349)	1,753	(42,763)
Management of liquid resources	6,090	(566)	-	5,524
Net debt	<u>(29,876)</u>	<u>(6,867)</u>	<u>-</u>	<u>(36,743)</u>

29 Capital commitments

	Consolidated and University	
	2004 £000	2003 £000
Commitments contracted at 31 July		
Authorised but not contracted at 31 July	7,581	8,545
	<u>8,071</u>	<u>13,876</u>
Total	<u>15,652</u>	<u>22,421</u>

Notes to the accounts (continued)

30 Contingent liabilities

The University has provided a guarantee to HSBC plc for an 'umbrella' overdraft for PEP (Research and Consultancy) Limited and University of Plymouth Enterprise Limited. The guarantee is ongoing and amounts to a potential liability of £150,000.

As a result of a ruling by the European Court of Justice (ECJ) in the Preston case relating to indirect sex discrimination, the employer has an obligation to provide pension scheme benefits for part-time employees. There is therefore a potential liability to provide additional benefits for service before the pension scheme rules were changed to allow access for part-time employees.

The extent of the liability will depend on the service completed by those part-time employees who have registered a valid claim for benefits within the necessary timescales. It is not currently known with certainty how many part-time employees have registered and whether any financial impact that may materialise will be significant. Therefore no provision has been made, but the accounts include a disclosure as a prudent approach to the potential liability.

31 Related party transactions

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

The University has taken advantage of the exemptions under FRS 8 for 90% subsidiaries not to disclose intra-group transactions.

These financial statements reflect the following transactions with related parties, which were undertaken on an arm's length basis and under normal commercial terms:

Name	Nature of relationship	Detail	2003/04 £000	2002/03 £000
Expenditure				
Tamar Science Park Limited	Associate	Consumables and rental payments	-	197
		Grant Contribution	20	-
		Advanced rent for PMS Phase II building	3,764	-
Amount due from: Tamar Science Park Limited	Associate		4	-

Notes to the accounts (continued)**32 Access funds**

	2003/04 £000	2002/03 £000
Funding council grants	1,668	1,489
Disbursed to students	(1,668)	(1,489)
Balance unspent as at 31 July	<u>-</u>	<u>-</u>

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.

33 Pensions**Devon County Council Pension Fund**

In accordance with FRS 17 – Retirement Benefits, the University is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

The University participates in the Local Government Pension Scheme, a defined benefit scheme based on final pensionable salary.

The most recent valuation was carried out as at 31 March 2001, and has been updated by independent actuaries to the Devon County Council Pension Fund (the Fund) to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31 July 2004. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The contribution rates certified for the University at the 31 March 2001 valuation are as follows:

April 2002 to March 2003	155% of members' contributions
April 2003 to March 2004	155% of members' contributions
April 2004 to March 2005	155% of members' contributions

These figures include the past service element of the contribution rate.

Notes to the accounts (continued)

Assumptions

The main assumptions used for the purposes of FRS 17 are as follows:

	31 July 2004	31 July 2003	31 July 2002
Discount rate	5.7%pa	5.5% pa	6.0%pa
Rate of increase in salaries	4.4%pa	4.2% pa	3.9%pa
Rate of increase in pensions in payment	2.9%pa	2.7% pa	2.4%pa
Rate of increase in deferred pensions	2.9%pa	2.7% pa	2.4%pa
Rate of inflation	2.9%pa	2.7% pa	2.4%pa
Long term expected rates of return on:			
Equities	8.0%pa	7.8% pa	7.9%pa
Bonds	5.2%pa	4.8% pa	4.9%pa
Property	7.0%pa	6.8% pa	6.9%pa
Other assets	4.8%pa	3.3% pa	3.4%pa
Average long term expected rate of return	7.1%pa	6.7% pa	6.9%pa

Position in the Fund

Assets are valued at fair value, principally market value for investments. The proportions of total assets held in each asset type by the Fund as a whole at 31 July 2004, 31 July 2003 and 31 July 2002 are as follow:

	31 July 2004		31 July 2003		31 July 2002	
	£m	%	£m	%	£m	%
Equities	34.40	65	28.11	62	24.94	62
Bonds	9.53	18	7.52	16	6.96	17
Property	5.29	10	4.27	9	4.95	12
Other	3.71	7	5.71	13	3.38	9
Total	52.93	100	45.61	100	40.23	100

The following amounts needed for reconciliation to the balance sheet were measured in accordance with the requirements of FRS 17:

	31 July 2004	31 July 2003	31 July 2002
	£m	£m	£m
Share of assets in the Fund	52.93	45.61	40.23
Estimated funded liabilities	(72.55)	(65.19)	(49.72)
Estimated unfunded liabilities	-	-	-
University of Plymouth's deficit in the Fund	(19.62)	(19.58)	(9.49)

Note: Unfunded liabilities are not allowed for unless specifically instructed. Where they are included they are also allowed for the analyses below.

Notes to the accounts (continued)

The movement in net deficit for the year to 31 July 2004 is as follows:

	2003/04	2002/03	2001/02
	£m	£m	£m
Net deficit at beginning of year	(19.58)	(9.49)	(3.11)
Current service cost	(3.16)	(2.30)	(2.37)
Past service costs	-	-	-
Gain/loss on any settlement or curtailments	-	-	-
Contributions paid (deduced)	2.07	1.99	1.95
Expected return on pension fund assets	3.12	2.85	2.98
Interest on pension scheme liabilities	(3.69)	(3.07)	(2.80)
Contributions towards unfunded liabilities (i.e. pensions paid in year) (deduced)	-	-	-
Actuarial gain/(loss)	1.62	(9.56)	(6.14)
Net deficit at end of year	<u>(19.62)</u>	<u>(19.58)</u>	<u>(9.49)</u>

If FRS 17 had been fully adopted in the financial statements the pension cost for defined benefit schemes would have been:

Analysis of amounts recognised in the income and expenditure account:

	2003/04	2002/03
	£m	£m
<i>Analysis of amounts charged to operating charge</i>		
Current service cost	(3.16)	(2.30)
Past service cost	-	-
Gain/loss on any curtailments/settlements	-	-
Total charged to operating charge	<u>(3.16)</u>	<u>(2.30)</u>
<i>Analysis of amount credited to other finance income</i>		
Expected return on pension fund assets	3.12	2.85
Interest on pension scheme liabilities	(3.69)	(3.07)
Net charge/credit to other finance income	<u>(0.57)</u>	<u>(0.22)</u>

Analysis of amounts recognised in the statement of total recognised gains and losses:

The actuarial gain/loss can be further analysed as follows:

	2003/04	2003/04	2002/03	2002/03
	£m	%	£m	%
Actual return less expected return on assets	1.53	2.9% of scheme assets	(0.03)	0.1%
Experience gains and losses on pension liabilities	(0.02)	0.0% of scheme liabilities	0.08	0.1%
Changes in assumptions underlying the present value of pension liabilities	0.11	0.2% of scheme liabilities	(9.61)	14.7%
Total	<u>1.62</u>	2.2% of scheme liabilities	<u>(9.56)</u>	14.7%

The pension cost for the year is £2,267,758 (2002/03 £2,163,701) representing 160% of the contributions payable by the members.

Notes to the accounts (continued)

If FRS 17 has been adopted in these financial statements the impact on the balance sheet would have been:

	2004 £m	2003 £m
Net assets excluding pension liabilities	97.87	86.01
Pension liabilities	(19.62)	(19.58)
	<hr/>	<hr/>
Net assets including pension liabilities	<u>78.25</u>	<u>66.43</u>
	<hr/>	<hr/>
General reserves excluding pension liabilities	97.87	86.01
Pension liabilities	(19.62)	(19.58)
	<hr/>	<hr/>
General reserves including pension liabilities	<u>78.25</u>	<u>66.43</u>
	<hr/>	<hr/>

Universities' Superannuation Scheme

The University participates in the Universities' Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2002. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £19,938 million and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets, therefore, were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate would be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

The total pension cost for 2003/04 for the University was £185,756 (2002/03 £146,948). The contribution rate payable by the institution was 14% of pensionable salaries.

Notes to the accounts (continued)

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is an unfunded defined benefit pension scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

SSAP24

The pension cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuations	31 March 2001
Actuarial method	Prospective benefits
Investment returns per annum	7.0%
Salary scale increases per annum	5.0%
Market value of assets at date of last valuation	£102,010m
Proportion of members' accrued benefits covered by the actuarial value of the assets	100%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of contributions. For the period from 1 April 2002 to 31 March 2003 the employer contribution rate was 8.35%. The rate increased to 13.5% from 1 April 2003. An appropriate SSAP24 provision in respect of unfunded pensioners' benefits is included in provisions.

The pensions charge recorded by the University during the accounting period was equal to the contributions payable (£3,664,815).

Other schemes

The University has a number of former employees who receive supplemented pensions. These pensions are not funded by a main superannuation scheme. The University has therefore set aside a provision in its accounts equivalent to the notional capital investment needed to fund these liabilities. For the purpose of this provision a real annual return on investment at 2½% has been assumed, together with life expectancies taken from HEFCE tables.

Notes to the accounts (continued)

34 PENINSULA MEDICAL SCHOOL

INCOME & EXPENDITURE ACCOUNT of the HE Community Chest for the year ended 31 July 2004

	Explanatory Notes	University of Exeter 2003/04 £000	University of Plymouth 2003/04 £000	Total 2003/04 £000	Total 2002/03 £000
INCOME					
Funding Council grants	3	2,169	2,170	4,339	5,008
Tuition fees and education contracts		283	282	565	340
University research support		134	134	268	360
NHS – SIFT funding	4	1,590	1,591	3,181	2,040
Research grants and contracts		2,338	2,337	4,675	4,754
Other income	5	751	751	1,502	1,238
Endowment and investment income		35	35	70	50
Total income		7,300	7,300	14,600	13,790
EXPENDITURE					
Staff costs		4,629	4,629	9,258	7,394
Other operating expenses		2,591	2,591	5,182	5,584
Depreciation	6	53	53	106	6
Total expenditure		7,273	7,273	14,546	12,984
Surplus on continuing operations		27	27	54	806

BALANCE SHEET of the HE Community Chest as at 31 July 2004

	Explanatory Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	6	457	382
Current assets			
Debtors	7	4,334	4,937
Cash at bank and in hand	8	3,242	512
		7,576	5,449
Creditors: amounts falling due within one year	9	(6,733)	(4,665)
Net current assets		843	784
Total assets less current liabilities		1,300	1,166
TOTAL NET ASSETS		1,300	1,166
Deferred capital grants		440	360
Reserves	10	860	806
TOTAL		1,300	1,166

Notes to the accounts (continued)**Explanatory Notes**1. **Background**

The Peninsula Medical School (PMS) is not a legal entity in its own right. It is a joint arrangement entered into in partnership by the University of Exeter and the University of Plymouth. PMS, in turn, has partnership arrangements with three NHS Trusts (The Royal Devon and Exeter Healthcare Trust, Plymouth Hospitals NHS Trust and Royal Cornwall Hospitals Trust) and further arrangements with healthcare providers throughout the South West peninsula.

All income received in respect of PMS by each university is transferred to an "HE Community Chest", managed initially by the University of Exeter. Expenditure incurred by each university on behalf of PMS is reimbursed from the "HE Community Chest". Under the administrative arrangements for the School it has been agreed that whilst the accounts of each university will formally incorporate only part of PMS activities, each will carry an identical note, which sets out the total financial position of the "HE Community Chest".

2. **Audit arrangements**

A 50% share of the income, expenditure and balance sheet items of the "HE Community Chest" of the Peninsula Medical School is included within the income and expenditure account and balance sheet of each of the Universities. These transactions are part of the audited financial statements of each University for the year ended 31 July 2004.

3. **Funding Council grants**

	2004	2003
	£000	£000
Recurrent grant	3,141	1,486
Specific grants		
HEFCE Medical Capital grant	107	2,086
HEFCE Equipment Capital grant	724	1,416
Widening Participation	124	20
Other	153	–
Deferred capital grants released in year - equipment	90	–
Total	<u>4,339</u>	<u>5,008</u>

4. **NHS – SIFT funding**

During the year ended 31 July 2004, £3,180,864 of SIFT funding was received to cover HE expenditure attributable to the NHS aspects of the Peninsula Medical School.

5. **Other Income**

	2004	2003
	£000	£000
Other grant income	149	214
Other income	1,353	1,024
	<u>1,502</u>	<u>1,238</u>

'Other income' for the year ended 31 July 2003 included £285,990 transferred from the University of Plymouth and £100,067 transferred from the University of Exeter relating to activity prior to 1 August 2002. This activity took place within the Postgraduate areas that became part of PMS.

6. **Fixed Assets**

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

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

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above.

Notes to the accounts (continued)

The related grant is treated as a deferred capital grant and released to income over the expected life of the equipment.

The equipment capitalised in this statement is solely acquired with funding made available from the HE Community Chest and the equipment is jointly owned by the two Universities. The principal expenditure is for telematics equipment.

7. Debtors

	2004	2003
	£000	£000
Debtors	786	745
Prepayments and accrued income	1,978	1,704
Due from NHS partners	1,333	1,296
Due from partner universities	-	1,192
Due from the Exeter University Foundation	237	-
	<u>4,334</u>	<u>4,937</u>

8. Cash at bank and in hand

The University of Exeter held a balance of £3,164,799 at 31 July 2004 under the agreed management arrangements. A balance of £5,917 was held on the 'University of Plymouth Peninsula Medical School account' which facilitates payments to suppliers, and £71,000 was held by the University of Plymouth on short-term deposit.

9. Creditors: amounts falling due within one year

	2004	2003
	£000	£000
Trade creditors	137	122
Other creditors	19	8
Due to partner universities	896	71
Due to HEFCE re overpayment	-	478
Deferred income:		
HEFCE recurrent teaching grant	1,850	1,074
Fees received in advance	-	160
SIFT income received in advanced	1,038	-
Accruals and other deferred income	2,793	2,752
	<u>6,733</u>	<u>4,665</u>

10. Reserves

	2004	2003
	£000	£000
Opening balance	806	-
Surplus for the year	54	806
Closing balance	<u>860</u>	<u>806</u>

11. Expenditure within the NHS

During the year ended 31 July 2004 the following expenditure relating to PMS took place within the NHS (this expenditure was not funded through the "HE Community Chest"):

	2004	2003
	£000	£000
Total Spend	<u>5,842</u>	<u>1,868</u>



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