



# **UNIVERSITY OF PLYMOUTH**

**HIGHER EDUCATION CORPORATION**

*Financial Statements*

*For the Year to*

*31 July 2005*

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## Foreword to the accounts for the year ended 31 July 2005

### 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, library services and facilities management. To avoid incurring corporation tax charges, any taxable profits will be gifted to the University.

### Results for the year

The University's consolidated income, expenditure and results for the year to 31 July 2005 are summarised as follows:-

	<b>2004/05</b> <b>£000</b>	<b>2003/04</b> <b>£000</b>
Income	<u>142,277</u>	<u>128,710</u>
(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation but before disposals of assets and taxation	(1,712)	(749)
Exceptional item: (loss)/profit on disposal of fixed assets	(197)	1,487
Taxation	-	-
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	2,109	1,265
	<u>          </u>	<u>          </u>
Historical cost surplus for the year after taxation	<u>200</u>	<u>2,003</u>

Income has increased significantly as the University expands its activities, with additional income from HEFCE for specific projects, new educational contracts with the NHS, and a further intake of students at the Peninsula Medical School. Offset against this are the associated increased costs of staffing and equipment.

The University has continued to invest in new and upgraded teaching facilities and infrastructure, the most notable of these being works to Smeaton, Scott and Davy buildings. Various works around the campuses were undertaken in order to comply with the Disability Discrimination Act (DDA) 2005 and the Special Educational Needs and Disability Act 2001. Additionally, work also commenced on the Rowe Street Development and an extension to the Students Union.

### Disposals

In the year the University has disposed of various properties including Daracombe Hall, and Merrifield generating a profit of £1,723,000. Significant building works have been carried out in the year necessitating the demolition of various properties, most notably Hasledene Hall at Exmouth and various properties on the main Plymouth campus. These included the security lodge, the old nursery, and the original Rowe Street buildings which were demolished to make way for the new Rowe Street Development on that site. These properties had a net book value of £1,920,000, hence the net loss on disposal of £197,000 is shown as an exceptional item in the accounts. This loss is more than offset by the release from the revaluation reserve of over £1 million relating to some of these properties.

### Future developments

In January this year the university celebrated news that it was to receive an extra £18 million to fund four Centres for Excellence in Teaching & Learning (CETLs) over the next five years. Predominantly, the funding is being used to further develop high quality academic staff, to attract new staff and to enhance buildings and upgrade laboratories and training facilities, including the planetarium, which will be transformed into a cutting-edge "virtual fieldwork" centre for the use of students from local schools and colleges.

The university has been chosen by the government to play a leading role in the new £15-million National Centre for Excellence in the Teaching of Mathematics (NCETM). The NCETM, which will be launched in summer 2006, will be run jointly by the university's Centre for Innovation in Mathematics Teaching (CITM), and a private company. It will train new and existing maths teachers, and identify new ways to improve how school pupils learn the subject.

## Foreword to the accounts for the year ended 31 July 2005 (continued)

### Treasury Management

The University's surplus cash deposits are invested in accordance with the University's Treasury Management Policy with both Tilney and Royal London Cash 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.

### Debtors Policy

In accordance with current policy, all University commercial debt is actively pursued from due date by regular automated reminder at 30, 60 and 90 days. 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 37 days to pay its creditors from the date of issue of the invoice (2003/04 26 days).

### Student numbers

Student numbers increased to 28,769 (up from 28,184), whereas staff employed decreased by, on average, 16 FTEs to 2,483.

The following figures have been provided by the Corporate Information department as background information:

	2004/05		2003/04	
	Heads	FTE	Heads	FTE
Within the University (including Peninsula Medical School)	22,337	17,427	21,954	17,252
Further education college partnerships	6,432	4,726	6,230	4,469
Total	<u>28,769</u>	<u>22,153</u>	<u>28,184</u>	<u>21,721</u>

### Employment policies

#### Employee Involvement

The Board of Governors has four staff constituencies 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.

## Foreword to the accounts for the year ended 31 July 2005 (continued)

### 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.

### Governors' Remuneration

Governors receive no remuneration from the University in respect of their activities as Governors.

### 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 2005



Professor Roland Levinsky  
Vice-Chancellor and Chief Executive  
December 2005

## 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 2005.

## Governance structure

The University's Instrument and Articles of Government establish the structural framework of governance. The University's Board of Governors is constituted in accordance with the Instrument: in 2004/05 it comprised twenty-two non-executive governors plus the Vice-Chancellor as an ex-officio executive member. The majority of governors were independent lay members with experience of industry, the professions, commercial or employment matters, or education; there were also three academic staff members, one member of administrative staff and one student member. The Board met formally on four occasions during the year.

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 and budgets and is responsible for reviewing the effectiveness of the University's systems of internal control. The Vice-Chancellor, supported by 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 established in the University's Articles of Government; in financial and other agreements with funding bodies; and by statutory authority.

The Board has established several committees, including a Finance Committee, an Audit Committee, an Employment and Remuneration Committee, a Nominations Committee and an Estates Advisory Group, each of which is formally constituted with clear terms of reference. Membership is drawn from members of the Board, although the Audit Committee includes independent members who are not members of the University or the Board of Governors. The Board also receives regular reports from the University's Academic Board in respect of its responsibilities for the educational character and mission of the University.

The Finance Committee recommends to the Board the annual revenue and capital budgets, considers the University's financial strategy and monitors performance in relation to budgets.

The Employment and Remuneration Committee 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.

The Nominations Committee considers mechanisms for securing the services of new governors, including advertisement and interview, and identifies preferred candidates to the Board.

The Audit Committee meets at least four times a year, with the internal auditors always in attendance. The external auditors attend for consideration of the financial statements and management letter. The Committee considers detailed reports and recommendations concerning the University's systems of internal control, together with management responses and action plans. It also receives and considers reports from the Funding Council as appropriate and monitors adherence to regulatory requirements. Senior executives attend meetings of the Audit Committee as necessary but are not members of the Committee. 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. At least once annually, the Chair of the Committee meets with the internal and external auditors for independent discussions.

### 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 2004/2005 and reported to the Board in July 2005.

### 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 Board relies heavily, in meeting these responsibilities, on advice from the Audit Committee, which regularly reviews the effectiveness of its own arrangements for reviewing internal controls. For 2004/05 the Audit Committee and the internal auditors agreed an approach to risk-based audit which integrates more closely operational audits and reviews of associated risk. Review processes cover business, operational and compliance as well as financial risk. Chancellery is responsible for implementing the risk management arrangements approved by the Board of Governors, for identifying, evaluating and monitoring the risks associated with their decisions and proposals made to the Board, and ensuring that managers within the University fulfil their responsibilities for risk management.

### **Formal Statement of the Board of Governors' Responsibilities (continued)**

In addition to the Corporate Risk Register, which is regularly reviewed by the Audit Committee and the Board of Governors, faculties, major projects and the two larger divisions produce individual risk registers; other divisions have identified that the key risks in their area are incorporated within the corporate risk register or individual project registers.

The Audit Committee has identified an internal control issue relating to the absence of an overarching business continuity/disaster recovery plan for the University. The University is taking appropriate steps to address this issue.

### **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 2005 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 inter alia 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 36 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**

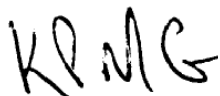
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial 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 2005 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 2005 have been applied for the purposes for which they were received;
- c. in all material respects, income during the year ended 31 July 2005 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 LLP

21<sup>st</sup> December 2005

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 2005. 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. The University is party to a joint arrangement for the Peninsula Medical School, which is not an entity, the University accounts directly for its 50% share 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.

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 2005**

	Notes	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
<b>INCOME</b>			
Funding Council grants	1	79,625	72,351
Tuition fees and education contracts	2	38,114	35,306
Research grants and contracts	3	7,703	6,431
Other income	4	16,034	14,213
Endowment and investment income	5	801	409
<b>Total income</b>		<b>142,277</b>	<b>128,710</b>
<b>EXPENDITURE</b>			
Staff costs	6	(80,434)	(74,921)
Other operating expenses	8	(55,487)	(47,312)
Depreciation	12	(5,614)	(5,281)
Interest payable	10	(2,454)	(1,945)
<b>Total expenditure</b>		<b>(143,989)</b>	<b>(129,459)</b>
(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before tax		(1,712)	(749)
<b>Exceptional item:</b>			
(Loss)/profit on disposal of fixed assets		(197)	1,487
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of fixed assets and before tax		(1,909)	738
Taxation		-	-
<b>(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax</b>		<b>(1,909)</b>	<b>738</b>

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 2005**

	Notes	2004/05 £000	2003/04 £000
(Deficit)/surplus on continuing operations before taxation	11	(1,909)	738
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	1,086	1,071
Released in respect of disposals, demolitions and impairments	22	1,023	194
<b>Historical cost surplus for the year before taxation</b>		<b>200</b>	<b>2,003</b>
<b>Historical cost surplus for the year after taxation</b>		<b>200</b>	<b>2,003</b>


**Statement of total recognised gains and losses  
for the year ended 31 July 2005**

	Notes	2004/05 £000	2003/04 £000
Surplus on continuing operations after depreciation of assets at valuation and taxation		(1,909)	738
HEFCE contributions to loan repayments	22	271	273
<b>Total recognised (losses)/gains relating to the year</b>		<b><u>(1,638)</u></b>	<b><u>1,011</u></b>
<b>Reconciliation</b>		<b>2004/05 £000</b>	<b>2003/04 £000</b>
Opening reserves and endowments		73,227	72,216
Total recognised (losses)/gains for the year		(1,638)	1,011
Closing reserves and endowments		<b><u>71,589</u></b>	<b><u>73,227</u></b>

## Balance sheet as at 31 July 2005

	Notes	Consolidated 2005 £000	University 2005 £000	Consolidated 2004 £000	University 2004 £000
<b>Fixed assets</b>					
Tangible assets	12	146,754	139,824	138,704	133,224
Investments	13	54	38	54	38
		<b>146,808</b>	<b>139,862</b>	<b>138,758</b>	<b>133,262</b>
<b>Endowment asset investments</b>	14	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>
<b>Current assets</b>					
Stock		265	236	273	246
Debtors – amounts falling due after more than one year	15	10,138	13,345	10,211	10,211
Debtors – amounts falling due within one year	15	14,838	18,188	12,051	17,857
Investments (liquid resources)		11,034	9,969	5,524	4,879
Cash at bank and in hand		2,737	2,618	2,606	2,252
		39,012	44,356	30,665	35,445
<b>Creditors: amounts falling due within one year</b>	16	(29,336)	(27,561)	(23,780)	(23,577)
<b>Net current assets</b>		<b>9,676</b>	<b>16,795</b>	<b>6,885</b>	<b>11,868</b>
<b>Total assets less current liabilities</b>		<b>156,512</b>	<b>156,685</b>	<b>145,671</b>	<b>145,158</b>
<b>Creditors: amounts falling due after more than one year</b>	17	(55,940)	(55,940)	(42,785)	(42,763)
<b>Provisions for liabilities and charges</b>	19	(4,713)	(4,713)	(5,018)	(5,018)
<b>NET ASSETS</b>		<b>95,859</b>	<b>96,032</b>	<b>97,868</b>	<b>97,377</b>
<b>Deferred capital grants</b>	20	24,270	24,270	24,641	24,641
<b>Endowments</b>					
Specific	21	28	28	28	28
<b>Reserves</b>					
Revaluation reserve	22	36,203	36,203	38,041	38,041
General reserve	23	35,358	35,531	35,158	34,667
Total reserves		71,561	71,734	73,199	72,708
<b>TOTAL</b>		<b>95,859</b>	<b>96,032</b>	<b>97,868</b>	<b>97,377</b>

The financial statements on pages 10 to 39 were approved by the Board of Governors on 16<sup>th</sup> December 2005 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 2005**

	Notes	2004/05 £000	2003/04 £000
<b>Cash flow from operating activities</b>	24	14,676	(6,823)
Returns on investments and servicing of finance	25	(1,636)	(1,495)
Capital expenditure and financial investment	26	(9,138)	1,461
Management of liquid resources	28	(5,510)	566
Taxation paid		-	(10)
Financing	27	1,785	7,007
		<hr/>	<hr/>
<b>Increase in cash in the year</b>		177	706
		<hr/>	<hr/>

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

		2004/05 £000	2003/04 £000
Increase in cash in the year	28	177	706
Cash inflow from new secured loan		(3,535)	(8,265)
Cash inflow from liquid resources	28	5,510	(566)
Cash outflow from repayment of loans	27	1,750	1,258
		<hr/>	<hr/>
Movement in net debt in year		3,902	(6,867)
Net debt at 1 August	28	(36,743)	(29,876)
		<hr/>	<hr/>
Net debt at 31 July	28	(32,841)	(36,743)
		<hr/> <hr/>	<hr/> <hr/>

## Notes to the accounts

## 1 Funding Council grants

	HEFCE £000	TTA £000	2004/05 Total £000	2003/04 Total £000
Recurrent teaching grant	61,140	3,312	64,452	56,598
Recurrent research grants	2,813	-	2,813	2,746
Specific grants:				
Other	11,309	48	11,357	12,458
Releases of deferred capital grants:				
Buildings (note 20)	320	-	320	301
Equipment (note 20)	683	-	683	248
Total	<u>76,265</u>	<u>3,360</u>	<u>79,625</u>	<u>72,351</u>

## 2 Tuition fees and education contracts

	2004/05 £000	2003/04 £000
Full-time UK & European Union (EU) students	12,866	12,829
Full-time Non-EU students	6,378	6,723
Part-time students	1,731	1,495
Special & short course fees	531	475
Total fees paid by or on behalf of individual students	<u>21,506</u>	<u>21,522</u>
Education contracts	16,608	13,784
Total	<u>38,114</u>	<u>35,306</u>

## 3 Research grants and contracts

	2004/05 £000	2003/04 £000
Research councils	2,007	1,710
UK based charities	1,068	1,088
European Commission	70	44
Other grants and contracts (including all other European funding)	4,545	3,584
Releases of deferred capital grants re equipment (note 20)	13	5
Total	<u>7,703</u>	<u>6,431</u>

**Notes to the accounts (continued)****4 Other income**

	<b>2004/05</b> <b>£000</b>	<b>2003/04</b> <b>£000</b>
Residences, catering and conferences	2,488	4,382
Other grant income	9,828	2,688
Other income	3,718	7,143
	<hr/>	<hr/>
Total	16,034	14,213
	<hr/> <hr/>	<hr/> <hr/>

**5 Endowment and investment income**

	<b>2004/05</b> <b>£000</b>	<b>2003/04</b> <b>£000</b>
Investment income (non-endowment income)	801	409
	<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:	<b>2004/05</b> <b>Number</b>	<b>2003/04</b> <b>Number</b>
Teaching departments	1,402	1,421
Academic support services	175	247
Administration and central services	379	321
Premises	361	306
Other income-generating activities	71	90
Catering and residences	95	114
	<hr/>	<hr/>
Total	2,483	2,499
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the accounts (continued)

## 6 Staff costs (continued)

	2004/05 £000	2003/04 £000
Wages and salaries	67,954	63,614
Social security costs	5,392	5,022
Other pension costs	7,088	6,285
Total	80,434	74,921
	<b>2004/05 £000</b>	<b>2003/04 £000</b>
Employment costs for staff on permanent contracts	60,943	57,638
Employment costs for staff on short-term and temporary contracts	19,491	17,283
Total	80,434	74,921

The University incurred additional staff costs of £564,000 (£388,000 in 2003/2004) 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 £575,000 (£344,000 in 2003/2004).

## 7 Senior post-holders' emoluments

Emoluments of the Vice-Chancellor:	2004/05 Total	2003/04 Total
	£	£
Salary	180,030	175,785
Benefits in kind	12,558	11,790
Total (No pension contributions made in respect of the Vice-Chancellor)	192,588	187,575

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:

	2004/05 Number	2003/04 Number
£70,000 - £79,999	9	3
£80,000 - £89,999	7	3
£90,000 - £99,999	1	4
£100,000 - £109,999	0	1
£110,000 - £119,999	0	4
£120,000 - £129,999	3	1
£130,000 - £139,999	1	2
£140,000 - £149,999	0	0
£150,000 - £159,999	3	0
£160,000 - £169,999	3	0
£170,000 - £179,999	0	0
£180,000 - £189,999	1	0

The aggregate total of these senior staff emoluments was £3,560,326 (2003/04: £2,010,000), including benefits in kind. The numbers and values of these staff have increased due to the recruitment of various Clinicians at PMS.

## Notes to the accounts (continued)

## 8 Other operating expenses

	2004/05 £000	2003/04 £000
Payments to partner institutions (see note below)	16,274	14,929
Residences, catering and conferences operating expenses	910	1,349
Consumables	6,129	4,968
Books and periodicals	1,562	1,493
Heat, light, water and power	1,806	963
Repairs and general maintenance	1,728	1,612
Grants to University of Plymouth Students' Union	741	730
Rents	2,270	1,931
Equipment	2,398	2,108
External auditors' remuneration	54	46
External auditors' remuneration in respect of non-audit services	67	84
Internal auditors' remuneration	67	61
Hire of other assets	1,914	979
Other expenses	19,567	16,059
	55,487	47,312
	55,487	47,312

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 (2003/2004: £30,000).

## 9 Analysis of staff costs and other operating expenses by activity

	Staff costs		Other operating expenses	
	2004/05 £000	2003/04 £000	2004/05 £000	2003/04 £000
Teaching departments	53,579	50,163	33,932	27,238
Academic support services	4,456	5,804	8,774	7,426
Administration and central services	12,734	9,985	5,912	5,452
Premises	5,835	4,572	4,076	3,944
Other income-generating activities	2,409	2,819	2,102	2,028
Catering and residences	1,421	1,578	691	1,224
	80,434	74,921	55,487	47,312
	80,434	74,921	55,487	47,312

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

	<b>2004/05</b> <b>£000</b>	<b>2003/04</b> <b>£000</b>
On bank loans wholly repayable in more than five years	2,223	1,688
On other loans wholly repayable in more than five years	231	257
	<hr/>	<hr/>
Total	<u>2,454</u>	<u>1,945</u>

**11 Surplus on continuing operations for the year**

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

	<b>2004/05</b> <b>£000</b>	<b>2003/04</b> <b>£000</b>
University's (deficit) / surplus for the year	(3,162)	101
Surpluses generated by subsidiary undertakings and payable to the University under the Gift Aid Regulations	1,281	764
Surpluses generated by subsidiary undertakings but retained within subsidiaries	182	-
Losses incurred by subsidiary undertakings	(210)	(127)
	<hr/>	<hr/>
(Deficit)/surplus on continuing operations for the year	<u>(1,909)</u>	<u>738</u>

## Notes to the accounts (continued)

## 12 Tangible fixed assets (consolidated)

	<b>Land and buildings</b>				
	<b>Assets in course of construction £000</b>	<b>Freehold £000</b>	<b>Long leasehold £000</b>	<b>Equipment £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At 1 August 2004					
Valuation	-	59,028	-	-	59,028
Cost	11,562	90,226	2,387	20,131	124,306
<b>Total</b>	<b>11,562</b>	<b>149,254</b>	<b>2,387</b>	<b>20,131</b>	<b>183,334</b>
Additions (cost)	13,433	1,810	-	1,464	16,707
Transfers (cost)	(15,236)	15,006	-	230	-
Transfers to prepayments (cost)	(644)	-	-	-	(644)
Disposals (cost)	-	(3,105)	22	(8,914)	(11,997)
Disposals (valuation)	-	(2,727)	-	-	(2,727)
At 31 July 2005					
Valuation	-	56,301	-	-	56,301
Cost	9,115	103,937	2,409	12,911	128,372
<b>Total</b>	<b>9,115</b>	<b>160,238</b>	<b>2,409</b>	<b>12,911</b>	<b>184,673</b>
<b>Depreciation</b>					
At 1 August 2004	-	29,985	445	14,200	44,630
Charge for year	-	3,473	44	2,097	5,614
Eliminated in respect of disposals	-	(3,529)	22	(8,818)	(12,325)
<b>At 31 July 2005</b>	<b>-</b>	<b>29,929</b>	<b>511</b>	<b>7,479</b>	<b>37,919</b>
<b>Net book value</b>					
<b>At 31 July 2005</b>	<b>9,115</b>	<b>130,309</b>	<b>1,898</b>	<b>5,432</b>	<b>146,754</b>
At 1 August 2004	11,562	119,269	1,942	5,931	138,704
Inherited	-	34,895	-	-	34,895
Financed by capital grant	-	22,971	-	1,299	24,270
Other	9,115	72,443	1,898	4,133	87,589
Net book value at 31 July 2005	9,115	130,309	1,898	5,432	146,754

The depreciation charge has been funded by:

	<b>2004/05 £000</b>	<b>2003/04 £000</b>
Revaluation reserve release	1,086	1,071
Deferred capital grant	1,016	554
General income	3,512	3,656
	<u>5,614</u>	<u>5,281</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
<b>Cost or valuation</b>					
At 1 August 2004					
Valuation	-	59,028	-	-	59,028
Cost	6,496	90,068	2,387	19,661	118,612
<b>Total</b>	<b>6,496</b>	<b>149,096</b>	<b>2,387</b>	<b>19,661</b>	<b>177,640</b>
Additions (cost)	13,433	411	-	1,107	14,951
Transfers (cost)	(10,170)	9,940	-	230	-
Transfers to prepayments (cost)	(644)	-	-	-	(644)
Transfers to other group companies (cost)	-	-	-	-	-
Disposals (cost)	-	(3,105)	22	(8,914)	(11,997)
Disposals (valuation)	-	(2,727)	-	-	(2,727)
At 31 July 2005					
Valuation	-	56,301	-	-	56,301
Cost	9,115	97,314	2,409	12,084	120,922
<b>Total</b>	<b>9,115</b>	<b>153,615</b>	<b>2,409</b>	<b>12,084</b>	<b>177,223</b>
<b>Depreciation</b>					
At 1 August 2004	-	29,936	445	14,035	44,416
Charge for year	-	3,337	44	1,927	5,308
Eliminated in respect of disposals	-	(3,529)	22	(8,817)	(12,324)
<b>At 31 July 2005</b>	<b>-</b>	<b>29,744</b>	<b>511</b>	<b>7,145</b>	<b>37,400</b>
<b>Net book value</b>					
<b>At 31 July 2005</b>	<b>9,115</b>	<b>123,871</b>	<b>1,898</b>	<b>4,939</b>	<b>139,823</b>
At 1 August 2004	6,496	119,160	1,942	5,626	133,224
Inherited	-	34,895	-	-	34,895
Financed by capital grant	-	22,971	-	1,299	24,270
Other	9,115	66,005	1,898	3,640	80,658
<b>Net book value at 31 July 2005</b>	<b>9115</b>	<b>123,871</b>	<b>1,898</b>	<b>4,939</b>	<b>139,823</b>



## Notes to the accounts (continued)

## 13 Investments

	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Shares in subsidiary companies	-	1	-	1
Other investments other than loans	54	37	54	37
	<hr/>	<hr/>	<hr/>	<hr/>
Total	54	38	54	38
	<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 three 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, as it is uncertain that the company will make 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 be closed in the year ended 31<sup>st</sup> July 2005.

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 at the John Bull building, Tamar Science Park.

The University also owned 100% of the issued share capital of 100 £1 ordinary shares of UPEC Ltd, a dormant company limited by shares and 100% of Gibbon Street Plymouth Ltd, a dormant company limited by guarantee. Both are registered in England and Wales and were closed at the end of the financial year.

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 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 2005. 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 2004 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 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 2004.

The University has an interest in Bioelf Limited, a company incorporated in England and Wales. The company has not been consolidated into these financial statements, since the University does not have a significant influence over its activities.

## Notes to the accounts (continued)

## 14 Endowment asset investments

	Consolidated and University	
	2004/05 £000	2003/04 £000
Balance at 1 August and 31 July, represented by cash balances	<u>28</u>	<u>28</u>

## 15 Debtors

	Consolidated 2005 £000	University 2005 £000	Consolidated 2004 £000	University 2004 £000
Amounts falling due within one year:				
Debtors	6,657	4,184	4,202	2,762
Amounts owed by group undertakings:				
subsidiary undertakings	-	6,279	-	12,780
associate undertakings	-	296	4	4
Other debtors	675	355	165	127
Prepayments and accrued income	7,506	7,074	7,680	2,184
<b>Total</b>	<u>14,838</u>	<u>18,188</u>	<u>12,051</u>	<u>17,857</u>
Amounts falling due after more than one year:				
Other debtors	6,694	13,345	6,251	6,251
Prepayments and accrued income	3,444	-	3,960	3,960
<b>Total</b>	<u>10,138</u>	<u>13,345</u>	<u>10,211</u>	<u>10,211</u>
<b>Total debtors</b>	<u>24,976</u>	<u>31,533</u>	<u>22,262</u>	<u>28,068</u>

## Notes to the accounts (continued)

## 16 Creditors: amounts falling due within one year

	<b>Consolidated 2005 £000</b>	<b>University 2005 £000</b>	<b>Consolidated 2004 £000</b>	<b>University 2004 £000</b>
Devon County Council loan principal	272	272	274	274
Bank loans (see note 17)	1,652	1,652	1,479	1,479
Bank overdrafts	340	340	385	385
Trade creditors	2,503	2,066	2,478	1,794
Amounts owed to group undertakings:				
subsidiary undertakings	-	-	-	1,105
Corporation Tax payable	-	-	-	-
Other creditors including taxation and social security	4,104	3,735	1,478	1,975
Accruals	7,407	6,501	7,352	6,776
Deferred income	13,058	12,995	10,334	9,789
Total	<u>29,336</u>	<u>27,561</u>	<u>23,780</u>	<u>23,577</u>

## 17 Creditors: amounts falling due after more than one year

	<b>Consolidated 2005 £000</b>	<b>University 2005 £000</b>	<b>Consolidated 2004 £000</b>	<b>University 2004 £000</b>
Secured Loans*	39,528	39,528	37,544	37,544
Unsecured loans **	1,275	1,275	1,375	1,375
Devon County Council loan principal ***	3,573	3,573	3,844	3,844
Deferred income	11,564	11,564	22	-
Total	<u>55,940</u>	<u>55,940</u>	<u>42,785</u>	<u>42,763</u>

\* Loans repayable by instalments until 2028, the current rate of interest is 5.5%. 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 £47,426,282 (2003/2004 £48,235,000).

\*\* Loans repayable by instalments until 2019, the current rate of interest is 5.2%.

\*\*\* Repayable between the years 2005 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	
	2005 £000	2004 £000
Bank loans and other loans are repayable as follows:		
in one year or less	1,924	1,752
between one and two years	2,021	1,848
between two and five years	6,379	5,865
in five years or more	35,976	35,051
Total	<u>46,300</u>	<u>44,516</u>

## 19 Provisions for liabilities and charges

	Consolidated and University	
	2004/05 £000	2003/04 £000
<b>Enhanced pension provisions</b>		
At 1 August	5,018	5,263
Expenditure in the year	(293)	(290)
Transferred from/(to) income and expenditure account	<u>(12)</u>	<u>45</u>
At 31 July	<u>4,713</u>	<u>5,018</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 2003/04 £000
	Buildings 2004/05 £000	Equipment 2004/05 £000	Total 2004/05 £000	
At 1 August	23,125	1,516	24,641	13,798
Cash receivable from funding council grant	5,555	568	6,123	11,397
Transfer of capital grants	(5,389)	(89)	(5,478)	-
Released to income and expenditure account	<u>(320)</u>	<u>(696)</u>	<u>(1,016)</u>	<u>(554)</u>
At 31 July	<u>22,971</u>	<u>1,299</u>	<u>24,270</u>	<u>24,641</u>

## Notes to the accounts (continued)

## 21 Endowments (specific)

	Consolidated and University	
	2004/05	2003/04
	£000	£000
At 1 August and 31 July	28	28

## 22 Revaluation reserve

	Consolidated and University	
	2004/05	2003/04
	£000	£000
At 1 August	38,041	39,033
Contributions in year from Funding Council	271	273
Transfer from revaluation reserve to general reserve in respect of:		
- depreciation on revalued assets	(1,086)	(1,071)
- disposal, demolition and impairment of assets	(1,023)	(194)
At 31 July	36,203	38,041

## 23 Movement on general reserves

	Consolidated	University	Consolidated	University
	2004/05	2004/05	2003/04	2003/04
	£000	£000	£000	£000
<b>Income and expenditure account reserve</b>				
At 1 August	35,158	34,667	33,155	33,399
(Deficit)/surplus on continuing operations before transfer from revaluation reserve	(1,909)	(1,245)	738	3
Transfer from revaluation reserve				
- in respect of depreciation	1,086	1,086	1,071	1,071
- in respect of disposals, demolitions and impairments	1,023	1,023	194	194
Historical cost surplus	200	864	2,003	1,905
Balance at 31 July	35,358	35,531	35,158	34,667

**Notes to the accounts (continued)****24 Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>£000</b>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and before taxation	(1,909)	738
Depreciation	5,614	5,281
Deferred capital grants released to income	(1,016)	(554)
Loss/(profit) on disposal of tangible fixed assets	197	(1,487)
Interest payable (note 10)	2,454	1,945
Decrease in stocks	8	1
Increase in debtors	(8,181)	(12,663)
Increase in creditors	18,343	297
Decrease in provisions	(304)	(245)
Interest receivable (note 5)	(801)	(409)
HEFCE contribution in year to loan repayments	271	273
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>14,676</u>	<u>(6,823)</u>

**25 Returns on investments and servicing of finance**

	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>£000</b>
Other interest received	801	409
Interest paid	(2,437)	(1,904)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	<u>(1,636)</u>	<u>(1,495)</u>

**26 Capital expenditure and financial investment**

	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>£000</b>
Purchase of tangible fixed assets	(17,328)	(12,277)
Sale of tangible fixed assets	2,078	1,991
Deferred capital grants received	6,112	11,758
Purchase of investments	-	(11)
	<hr/>	<hr/>
Net cash (outflow)/inflow from capital expenditure and financial investment	<u>(9,138)</u>	<u>1,461</u>

## Notes to the accounts (continued)

## 27 Financing

	2004/05 £000	2003/04 £000
New secured loan	3,535	8,265
Repayment of amounts borrowed	(1,750)	(1,258)
Net cash inflow from financing	<u>1,785</u>	<u>7,007</u>

## 28 Analysis of changes in net funds

	At 1 August 2004 £000	Cashflows £000	Other changes £000	At 31 July 2005 £000
Cash in hand, and at bank	2,606	131	-	2,737
Endowment asset investments (note 14)	28	-	-	28
Overdrafts	(385)	46	-	(339)
	<u>2,249</u>	<u>177</u>	<u>-</u>	<u>2,426</u>
Debt due within one year	(1,753)	(173)	-	(1,926)
Debt due after one year	(42,763)	(1,612)	-	(44,375)
Management of liquid resources	5,524	5,510	-	11,034
Net debt	<u>(36,743)</u>	<u>3,902</u>	<u>-</u>	<u>(32,841)</u>

## 29 Commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows:

	Consolidated and University	
	2005 £000	2004 £000
Commitments contracted at 31 July	3,911	7,581
Authorised but not contracted at 31 July	18,294	8,071
Total	<u>22,205</u>	<u>15,652</u>

Annual commitments under non-cancellable operating leases are as follows:

	Consolidated and University			
	2005		2004	
	£000	£000	£000	£000
	Land and Buildings	Other	Land and Buildings	Other
Operating leases which expire:				
Within one year	-	1,493	-	659
In the second to fifth years inclusive	-	3,051	-	2,248
Over five years	-	-	-	-
Total	<u>-</u>	<u>4,544</u>	<u>-</u>	<u>2,907</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.

The University has also provided a guarantee to HSBC plc for an overdraft for University of Plymouth Trading Company Limited (UPTC) of £50,000 and also for Plymouth Healthcare Education Limited (PHEL) for £50,000.

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.

Most of these cases have now been resolved, with only five outstanding. 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:

<b>Name</b>	<b>Nature of relationship</b>	<b>Detail</b>	<b>2004/05 £000</b>	<b>2003/04 £000</b>
<b>Expenditure</b>				
Tamar Science Park Limited	Associate	Consumables and rental payments	8	-
		Grant Contribution	32	20
		Advanced rent for PMS Phase II building	644	3,764
<b>Amount due from:</b> Tamar Science Park Limited	Associate		296	4
<b>Amount due to:</b> Tamar Science Park Limited	Associate		9	-
<b>Expenditure</b> Bioelf Limited	Associate	Grant contribution	33	-
<b>Amount due to:</b> Bioelf Limited	Associate		11	-
<b>Income</b>				
South West England Regional Network Ltd	Associate	Salary recharged	82	-



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

	<b>2004/05</b> <b>£000</b>	<b>2003/04</b> <b>£000</b>
Funding council grants	1,654	1,668
Disbursed to students	(1,654)	(1,668)
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 2004, 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 2005. 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 2004 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
April 2005 to March 2006	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:

	<b>31 July 2005</b>	<b>31 July 2004</b>	<b>31 July 2003</b>
Discount rate	5.0%pa	5.7%pa	5.5% pa
Rate of increase in salaries	4.2%pa	4.4%pa	4.2% pa
Rate of increase in pensions in payment	2.7%pa	2.9%pa	2.7% pa
Rate of increase in deferred pensions	2.7%pa	2.9%pa	2.7% pa
Rate of inflation	2.7%pa	2.9%pa	2.7% pa
Long term expected rates of return on:			
Equities	7.4%pa	8.0%pa	7.8% pa
Bonds	4.7%pa	5.2%pa	4.8% pa
Property	6.4%pa	7.0%pa	6.8% pa
Other assets	4.7%pa	4.8%pa	3.3% pa
Average long term expected rate of return	6.6%pa	7.1%pa	6.7% 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 2005, 31 July 2004 and 31 July 2003 are as follow:

	<b>31 July 2005</b>		<b>31 July 2004</b>		<b>31 July 2003</b>	
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
Equities	59.88	67	34.40	65	28.11	62
Bonds	14.30	16	9.53	18	7.52	16
Property	8.04	9	5.29	10	4.27	9
Other	7.15	8	3.71	7	5.71	13
Total	<u>89.37</u>	<u>100</u>	<u>52.93</u>	<u>100</u>	<u>45.61</u>	<u>100</u>

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

	<b>31 July 2005</b>	<b>31 July 2004</b>	<b>31 July 2003</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Share of assets in the Fund	89.37	52.93	45.61
Estimated funded liabilities	(119.03)	(72.55)	(65.19)
Estimated unfunded liabilities	–	–	–
University of Plymouth's deficit in the Fund	<u>(29.66)</u>	<u>(19.62)</u>	<u>(19.58)</u>

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 2005 is as follows:

	<b>2005/04</b>	<b>2003/04</b>	<b>2002/03</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Net deficit at beginning of year	(19.62)	(19.58)	(9.49)
Current service cost	(4.23)	(3.16)	(2.30)
Past service costs	-	-	-
Gain/loss on any settlement or curtailments	-	-	-
Contributions paid (deduced)	2.80	2.07	1.99
Other finance income	(0.37)	(0.57)	(0.22)
Contributions towards unfunded liabilities (i.e. pensions paid in year) (deduced)	-	-	-
Actuarial gain/(loss)	(8.24)	1.62	(9.56)
Net deficit at end of year	<u>(29.66)</u>	<u>(19.62)</u>	<u>(19.58)</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:**

	<b>2004/05</b>	<b>2003/04</b>
	<b>£m</b>	<b>£m</b>
<i>Analysis of amounts charged to operating charge</i>		
Current service cost	(4.23)	(3.16)
Past service cost	-	-
Gain/loss on any curtailments/settlements	-	-
Total charged to operating charge	<u>(4.23)</u>	<u>(3.16)</u>
<i>Analysis of amount credited to other finance income</i>		
Expected return on pension fund assets	3.90	3.12
Interest on pension scheme liabilities	(4.27)	(3.69)
Net charge/credit to other finance income	<u>(0.37)</u>	<u>(0.57)</u>

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

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

	<b>2004/05</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2003/04</b>
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
Actual return less expected return on assets	11.41	12.8% of scheme assets	1.53	2.9%
Experience gains and losses on pension liabilities	(5.62)	4.7% of scheme liabilities	(0.02)	0.0%
Changes in assumptions underlying the present value of pension liabilities	(14.03)	11.85% of scheme liabilities	0.11	0.2%
Total	<u>(8.24)</u>	6.95% of scheme liabilities	<u>(9.56)</u>	2.2%

The pension cost for the year is £2,580,601 (2003/04 £2,267,758) 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:

	<b>2005</b> <b>£m</b>	<b>2004</b> <b>£m</b>
Net assets excluding pension liabilities	95.86	97.87
Pension liabilities	(29.66)	(19.62)
	<hr/>	<hr/>
Net assets including pension liabilities	<u>66.20</u>	<u>78.25</u>
	<hr/>	<hr/>
General reserves excluding pension liabilities	95.86	97.87
Pension liabilities	(29.66)	(19.62)
	<hr/>	<hr/>
General reserves including pension liabilities	<u>66.20</u>	<u>78.25</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 2006 when the above rates will be reviewed.

The total pension cost for 2004/05 for the University was £231,302 (2003/04 £185,756). The contribution rate payable by the institution was 14% of pensionable salaries (2003/04: 14%).

## 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.

### SSAP 24

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 £4,010,237 (2003/04: £3,664,815).

### National Health Service Pension Scheme (NHS)

The pensions charge recorded by the University during the accounting period was equal to the contributions payable £266,051 (2003/04: £166,380). The contribution rate payable by the institution was 14% of pensionable salaries (2003/04: 14%).

### 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 - this note does not form part of the audited Financial Statements****INCOME & EXPENDITURE ACCOUNT of the HE Community Chest for the year ended 31 July 2005**

	Explanatory Notes	University of Exeter 2004/05 £000	University of Plymouth 2004/05 £000	Total 2004/05 £000	Total 2003/04 £000
<b>INCOME</b>					
Funding Council grants	3	3,257	3,257	6,514	4,339
Tuition fees and education contracts		389	388	777	565
University research support		94	95	189	268
NHS funding	4	2,552	2,552	5,104	3,181
Research grants and contracts		2,230	2,231	4,461	4,675
Other income	5	1,496	1,495	2,991	1,502
Endowment and investment income		126	125	251	70
<b>Total income</b>		<b>10,144</b>	<b>10,143</b>	<b>20,287</b>	<b>14,600</b>
<b>EXPENDITURE</b>					
Staff costs		5,501	5,501	11,002	9,258
Other operating expenses		3,752	3,752	7,504	5,182
Depreciation	6	106	106	212	106
<b>Total expenditure</b>		<b>9,359</b>	<b>9,359</b>	<b>18,718</b>	<b>14,546</b>
Surplus on continuing operations		785	784	1,569	54

**BALANCE SHEET of the HE Community Chest as at 31 July 2005**

	Explanatory Notes	2005 £000	2004 £000
<b>Fixed assets</b>			
Tangible assets	6	768	457
<b>Current assets</b>			
Debtors	7	3,694	4,334
Cash at bank and in hand	8	5,305	3,242
		8,999	7,576
<b>Creditors: amounts falling due within one year</b>	9	(6,581)	(6,733)
<b>Net current assets</b>		<b>2,418</b>	<b>843</b>
<b>Total assets less current liabilities</b>		<b>3,186</b>	<b>1,300</b>
<b>TOTAL NET ASSETS</b>		<b>3,186</b>	<b>1,300</b>
<b>Deferred capital grants</b>		757	440
<b>Reserves</b>	10	2,429	860
<b>TOTAL</b>		<b>3,186</b>	<b>1,300</b>

**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.

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 2005.

3. **Funding Council grants**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Recurrent grant	5,110	3,141
Specific grants		
HEFCE Medical Capital grant	-	107
HEFCE Equipment Capital grant	1,080	724
Widening Participation	10	124
Other	133	153
Deferred capital grants released in year - equipment	181	90
	<hr/> 6,514	<hr/> 4,339

4. **NHS funding**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Service Increment for Teaching (SIFT) funding	4,508	2,965
Capital funding	596	216
	<hr/> 5,104	<hr/> 3,181

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

5. **Other Income**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Other grant income	103	149
Other income	2,888	1,353
	<hr/> 2,991	<hr/> 1,502

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 years

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

**Notes to the accounts (continued)**7. Debtors

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Debtors	1,285	786
Prepayments and accrued income	1,634	1,978
Due from NHS partners	775	1,333
Due from partner universities	-	-
Due from the Exeter University Foundation	-	237
	<u>3,694</u>	<u>4,334</u>

8. Cash at bank and in hand

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Held by:		
University of Exeter	4,177	3,165
University of Plymouth	976	71
University of Plymouth Peninsula Medical School	152	6
	<u>5,305</u>	<u>3,242</u>

These balances are held under the agreed management arrangements. The University of Plymouth Peninsula Medical School account facilitates payments to suppliers whilst the balances held by the University of Exeter and the University of Plymouth are held in short term deposits.

9. Creditors: amounts falling due within one year

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	347	137
Other creditors	10	19
Due to partner universities	552	896
Deferred income:		
HEFCE recurrent teaching grant	2,558	1,850
NHS Capital funding received in advance	265	-
SIFT income received in advanced	-	1,038
Accruals and other deferred income	2,849	2,793
	<u>6,581</u>	<u>6,733</u>

10. Reserves

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Opening balance	860	806
Surplus for the year	1,569	54
Closing balance	<u>2,429</u>	<u>860</u>

11. Expenditure within the NHS

During the year ended 31 July 2005 the following expenditure relating to PMS took place within the NHS (this expenditure was not funded through the "HE Community Chest"):

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Total Spend	<u>6,718</u>	<u>5,842</u>