



UNIVERSITY OF PLYMOUTH

HIGHER EDUCATION CORPORATION

Financial Statements

For the Year to

31 July 2006

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Advisors to the University of Plymouth

Registered Auditors	KPMG LLP Plym House 3 Longbridge Road Marsh Mills Plymouth PL6 8LT
Bankers	HSBC Bank plc 4 Old Town Street Plymouth Devon PL1 1DD
Solicitors	Wolferstans Deptford Chambers 60/64 North Hill Plymouth PL4 8EP
Solicitors	Pinsent Masons 3 Colmore Circus Birmingham B4 6BH
Solicitors	Martineau Johnson 1 Colmore Circus Birmingham B4 6AA
VAT Advisors	ECA VAT Advisors Limited T/a Ellis Chapman & Associates Caledonian House Tatton Street Knutsford Cheshire WA16 6AG
Corporation Tax Advisors	KPMG LLP 100 Temple Street Bristol BA1 6AG

Foreword to the Accounts for the Year Ended 31 July 2006

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 2006 are summarised as follows:-

	2005/06 £000	2004/05 £000 Restated
Income	<u>151,348</u>	<u>140,602</u>
Deficit on continuing operations after depreciation of tangible fixed assets at valuation but before disposals of assets and taxation	(4,813)	(3,512)
Exceptional item: loss on disposal of fixed assets	(607)	(197)
Taxation	(19)	-
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	992	2,109
	<u> </u>	<u> </u>
Historical cost deficit for the year after taxation	<u><u>(4,447)</u></u>	<u><u>(1,600)</u></u>

Income has increased significantly as the University continues to expand its activities, with additional income from HEFCE for specific projects, new educational contracts with the NHS, and a further intake of students at the renamed Peninsula College of Medicine and Dentistry. 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 the Scott building and the Students Union extension. Work continued on the Rowe Street Development and commenced on the James Square Development, which will accommodate staff and students from the Exmouth campus when they relocate in 2008.

Disposals

There have been no disposals but a number of properties have been demolished, most notably the Endsleigh Place buildings on the Plymouth Campus, where construction will commence to create additional teaching space to accommodate the new Dental School.

Future Developments

During the year the Peninsula College of Medicine and Dentistry (formerly the Peninsula Medical School) was successful in its bid to create a new Dental School in the South West. The new School which will take its first students in September 2007, will train 62 dentistry students a year in a new state-of-the-art facility in Plymouth, as well as in Exeter and Truro.

The University's Marine Institute, which works closely with the Plymouth Marine Laboratory, the Marine Biological Association, the National Marine Aquarium and the Sir Alistair Hardy Foundation for Ocean Sciences, jointly formed the Plymouth Marine Science Partnership. The Institute comprises four research and innovation areas including biochemistry, dynamics engineering and eco-systems and marine and maritime studies.

Foreword to the accounts for the year ended 31 July 2006 (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 35 days to pay its creditors from the date of issue of the invoice (2004/05 37 days).

Student Numbers

Student numbers increased to 30,641 (up from 28,769), whereas staff employed decreased by, on average, 66 FTEs to 2,417.

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

	2005/06		2004/05	
	Heads	FTE	Heads	FTE
Within the University (including Peninsula College of Medicine and Dentistry)	22,764	17,860	22,337	17,427
Further education college partnerships	7,877	5,485	6,432	4,726
Total	<u>30,641</u>	<u>23,345</u>	<u>28,769</u>	<u>22,153</u>

Student Involvement

The University has a number of mechanisms in place to facilitate communication with students and makes extensive use of email and the internet to disseminate information and receive feedback. The President of the Students' Union sits ex officio on the Board of Governors of the University and there is regular formal and informal consultation with the Students' Union.

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.

Foreword to the accounts for the year ended 31 July 2006 (continued)

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.

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.



Barbara Bond
Chairman of the Board of Governors
December 2006



Professor Roland Levinsky
Vice-Chancellor and Chief Executive
December 2006

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 2006.

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 2005/06 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 members co-opted on the basis of their knowledge and experience of education matters; 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, and also participated in an annual awayday to discuss issues of strategic importance.

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 and monitors 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, and a Nominations Committee, together with two Advisory Groups, on Estates and External Development respectively. Each Committee and Advisory Group is formally constituted with clear terms of reference. Membership is largely drawn from members of the Board, although the Audit Committee includes at least one independent member with relevant professional expertise who is not a member of the University or the Board of Governors. The Board also receives copies of the minutes of the University's Academic Board, with regard to its responsibilities for the educational character and mission of the University.

The Finance Committee makes recommendations to the Board about the University's financial strategy, including annual and long term capital and revenue plans, about the financial viability and financial management of capital projects, and about the University's Financial Statements and financial forecasts. It regularly monitors performance in relation to budgets.

The Employment and Remuneration Committee makes recommendations to the Board about strategic employment issues and the framework governing the pay and conditions of service of staff, and determines the guidelines to be applied to the determination of management salaries and the remuneration of the most senior staff, including the Vice-Chancellor.

The Nominations Committee considers the skills set available to the Board and issues of succession planning, advises on 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 presentation of the audit strategy and consideration of the financial statements and management letter. The Committee considers detailed reports and recommendations concerning the University's systems of risk management and 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. At least once annually, the Chair of the Committee meets with the internal and external auditors for independent discussions.

The two Advisory Groups meet termly, to provide informal but expert advice on relevant issues falling within their remit, and to keep the Board advised of ongoing developments.

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 Training and Development Agency for Schools are used only for the purposes for which they have been given and in accordance with the Funding Agreement with the Training and Development Agency for Schools and any other conditions which the Training and Development Agency for Schools 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; the next review is scheduled for Spring 2007. In the interim, the University's internal auditors have undertaken an audit of governance, with a view to assessing the adequacy of the corporate governance framework and the University's compliance with the CUC Code, which also included discussion with a representative selection of governors. The audit outcome was generally positive; comments made by individual governors will be followed up in the Spring review.

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 formally reviewed an amended corporate risk register in December 2005.

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 2005/06 the Audit Committee and the internal auditors continued 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.

In addition to the Corporate Risk Register, 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 University has recently initiated a series of workshops designed to embed risk management within business planning processes in a more integrated manner

In 2005, the Audit Committee identified an internal control issue in relation to business continuity planning. In 2006, the University made two appointments to its Business Continuity Planning unit, and those staff are actively engaged in reinvigorating the processes of risk and business continuity planning.

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 2006 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 Group and University financial statements (the “financial statements”) of The University of Plymouth for the year ended 31 July 2006 which comprise Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, The Group Statement of Historical Cost Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 or assume 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 Board of Governors responsibilities for preparing the Foreword to the Accounts and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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: Accounting for Further and Higher Education. 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 Training and Development Agency for Schools. We also report to you whether in our opinion the Foreword to the Accounts is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Foreword to the Accounts and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of Opinion

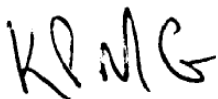
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the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

We planned and performed our audit so as to obtain all the information and explanations which 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:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group as at 31 July 2006 and of the Group's deficit of expenditure over income for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2006 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2006 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.



KPMG LLP

21st December 2006

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. This is the first year of adopting FRS 17 – Retirement Benefits and FRS 21 – Events after the balance sheet date, the effects of which are set out below and in note 1.

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 2006. 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 College of Medicine and Dentistry, 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.

Research and Development expenditure

Expenditure on research and development is written off to the income and expenditure account in the year in which it is incurred.

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 College of Medicine and Dentistry 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.

Contributions to the schemes, except for the Devon County Council pension scheme, 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

Statement of Principal Accounting Policies (continued)

Pension schemes (continued)

lifetime of members of the schemes after making allowances for further withdrawals.

The Group participates in the Devon County Council pension scheme, a scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. This 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.

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 (USS), 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. The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. 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.

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 2006**

	Notes	Year ended 31 July 2006 £000	Year ended 31 July 2005 restated £000
INCOME			
Funding Council grants	2	84,660	79,625
Tuition fees and education contracts	3	40,336	38,114
Research grants and contracts	4	9,848	7,703
Other income	5	15,745	14,359
Endowment and investment income	6	759	801
Total income		151,348	140,602
EXPENDITURE			
Staff costs	7	(88,654)	(81,864)
Other operating expenses	9	(59,459)	(53,812)
Depreciation	13	(5,687)	(5,614)
Interest payable	11	(2,361)	(2,824)
Total expenditure		(156,161)	(144,114)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before tax		(4,813)	(3,512)
Exceptional item:			
Loss on disposal of fixed assets		(607)	(197)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of fixed assets and before tax		(5,420)	(3,709)
Taxation		(19)	-
Deficit on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax		(5,439)	(3,709)

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 2006**

	Notes	2005/06 £000	2004/05 restated £000
Deficit on continuing operations before taxation	12	(5,420)	(3,709)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	24	929	1,086
Released in respect of disposals, demolitions and impairments	24	63	1,023
Historical cost deficit for the year before taxation		(4,428)	(1,600)
Historical cost deficit for the year after taxation		(4,447)	(1,600)

**Statement of total recognised gains and losses
for the year ended 31 July 2006**

	Notes	2005/06 £000	2004/05 restated £000
Deficit on continuing operations after depreciation of assets at valuation and taxation		(5,439)	(3,709)
Actuarial gain/(loss) on pension scheme		250	(8,240)
HEFCE contributions to loan repayments	24	3,845	271
		<hr/>	<hr/>
Total recognised losses relating to the year		(1,344)	(11,678)
			<hr/>
Prior year adjustment	1	(29,660)	
		<hr/>	
Total recognised losses since the last annual report		(31,004)	
		<hr/>	

		2005/06 £000	2004/05 restated £000
Reconciliation			
Opening reserves and endowments		41,929	53,607
Total recognised losses for the year		(1,344)	(11,678)
		<hr/>	<hr/>
Closing reserves and endowments		40,585	41,929
		<hr/>	<hr/>

Balance sheet as at 31 July 2006

	Notes	Consolidated 2006 £000	University 2006 £000	Consolidated 2005 restated £000	University 2005 restated £000
Fixed assets					
Tangible assets	13	160,394	153,486	146,754	139,824
Investments	14	54	38	54	38
		160,448	153,524	146,808	139,862
Endowment asset investments	15	28	28	28	28
Current assets					
Stock	16	135	110	265	236
Debtors – amounts falling due after more than one year	17	9,572	13,141	10,138	13,345
Debtors – amounts falling due within one year	17	19,032	23,345	14,838	16,907
Investments (liquid resources)		12,923	12,423	11,034	9,969
Cash at bank and in hand		3,226	3,031	2,737	2,618
		44,888	52,050	39,012	43,075
Creditors: amounts falling due within one year	18	(36,955)	(35,451)	(29,336)	(27,561)
		7,933	16,599	9,676	15,514
Net current assets					
		168,409	170,151	156,512	155,404
Creditors: amounts falling due after more than one year	19	(50,334)	(50,334)	(55,940)	(55,940)
Provisions for liabilities	21	(4,893)	(4,893)	(4,713)	(4,713)
NET ASSETS BEFORE PENSION SCHEME LIABILITIES		113,182	114,924	95,859	94,751
Pension Scheme liabilities		(30,910)	(30,910)	(29,660)	(29,660)
NET ASSETS AFTER PENSION SCHEME LIABILITIES		82,272	84,014	66,199	65,091
Deferred capital grants	22	41,686	41,686	24,270	24,270
Endowments					
Specific	23	28	28	28	28
Reserves					
Revaluation reserve	24	39,057	39,057	36,203	36,203
General reserve	25	1,501	3,243	5,698	4,590
Total reserves		40,558	42,300	41,901	40,793
TOTAL		82,272	84,014	66,199	65,091

The financial statements on pages 11 to 37 were approved by the Board of Governors on 15/12/2006 and were signed on its behalf by:



Barbara Bond
Chairman of the Board of Governors



Professor Roland Levinsky
Vice-Chancellor and Chief Executive

**Consolidated cash flow statement
for the year ended 31 July 2006**

	Notes	2005/06 £000	2004/05 £000
Cash flow from operating activities	26	5,863	14,676
Returns on investments and servicing of finance	27	(1,687)	(1,636)
Taxation paid	28	(19)	-
Capital expenditure and financial investment	29	2,249	(9,138)
Management of liquid resources	31	(1,889)	(5,510)
Financing	30	(5,399)	1,785
		<hr/>	<hr/>
(Decrease)/Increase in cash in the year		(882)	177
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt

		2005/06 £000	2004/05 £000
(Decrease)/Increase in cash in the year	31	(882)	177
Cash inflow from new secured loan		-	(3,535)
Cash inflow from liquid resources	31	1,889	5,510
Cash outflow from repayment of loans	30	5,399	1,750
		<hr/>	<hr/>
Movement in net debt in year		6,406	3,902
Net debt at 1 August	31	(32,841)	(36,743)
		<hr/>	<hr/>
Net debt at 31 July	31	(26,435)	(32,841)
		<hr/>	<hr/>

Notes to the accounts

1 Prior year adjustment

	Pension scheme Liabilities £'000	University Debtors £'000	Consolidated Reserves £'000	University Reserves £'000
At 31 st July 2005 as previously stated	-	18,188	71,561	71,734
Accounting policy change:-				
Adoption of FRS 17 Retirement benefits (29,660)	(29,660)		-	(29,660)
Adoption of FRS 21 Events after the Balance Sheet date	-	(1,281)	-	(1,281)
As restated	<u>(29,660)</u>	<u>16,907</u>	<u>41,901</u>	<u>40,793</u>

The consolidated and University loss for the year ended 31st July 2005 has increased by £1,800,000 and the brought forward profit and loss reserve as at 1st August 2004 has been reduced by £19,620,000 as a result of the adoption of FRS 17 – Retirement benefits, including on the balance sheet the full extent of the Group's defined benefit scheme liabilities in respect of the Devon County Council Scheme.

The University loss for the year ended 31st July 2005 has increased by £517,000 and the brought forward profit and loss reserve as at 1st August 2004 has increased by £764,000 as a result of the adjustment. The adoption of FRS 21, which requires gift aid to only be recognised in the University as income when it has been appropriately authorised by the paying Company, has no impact on consolidated reserves.

2 Funding Council grants

	HEFCE £000	TTA £000	2005/06 Total £000	2004/05 Total £000
Recurrent teaching grant	70,564	3,286	73,850	64,452
Recurrent research grants	3,075	-	3,075	2,813
Specific grants:				
Other	6,832	102	6,934	11,357
Releases of deferred capital grants:				
Buildings (note 22)	502	-	502	320
Equipment (note 22)	299	-	299	683
Total	<u>81,272</u>	<u>3,388</u>	<u>84,660</u>	<u>79,625</u>

Notes to the accounts (continued)**3 Tuition fees and education contracts**

	2005/06	2004/05
	£000	£000
Full-time UK & European Union (EU) students	13,645	12,866
Full-time Non-EU students	6,189	6,378
Part-time students	1,714	1,731
Special & short course fees	335	531
Total fees paid by or on behalf of individual students	<u>21,883</u>	<u>21,506</u>
Education contracts	18,453	16,608
Total	<u>40,336</u>	<u>38,114</u>

4 Research grants and contracts

	2005/06	2004/05
	£000	£000
Research councils	2,601	2,007
UK based charities	1,673	1,080
UK based government bodies	3,060	2,846
UK based industry and commerce	712	367
European Commission	23	70
EU Framework	1,137	955
European based government bodies	183	-
Other European grants and contracts	271	85
Other overseas grants and contracts	162	280
Releases of deferred capital grants re equipment (note 22)	26	13
Total	<u>9,848</u>	<u>7,703</u>

5 Other income

	2005/06	2004/05
	£000	£000
Residences, catering and conferences	2,385	2,488
Other grant income	4,287	3,309
Nursery income	435	338
Rental and car park income	598	303
Educational visits and field trips	471	447
Farm income	336	216
Recreation income	233	265
Other miscellaneous income	7,000	6,993
Total	<u>15,745</u>	<u>14,359</u>

6 Endowment and investment income

	2005/06	2004/05
	£000	£000
Investment income (non-endowment income)	<u>759</u>	<u>801</u>

Notes to the accounts (continued)

7 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:

	2005/06 Number	2004/05 Number
Teaching departments	1,463	1,402
Academic support services	286	175
Administration and central services	307	379
Premises	229	361
Other income-generating activities	72	71
Catering and residences	60	95
	<hr/>	<hr/>
Total	2,417	2,483
	<hr/>	<hr/>
	2005/06 £000	2004/05 £000 restated
Wages and salaries	74,450	69,384
Social security costs	5,943	5,392
Other pension costs	8,261	7,088
	<hr/>	<hr/>
Total	88,654	81,864
	<hr/>	<hr/>

The staff costs for the year ended 31st July 2005 have been restated as shown in note 1.

	2005/06 £000	2004/05 £000 restated
Employment costs for staff on permanent contracts	68,669	62,373
Employment costs for staff on short-term and temporary contracts	19,985	19,491
	<hr/>	<hr/>
Total	88,654	81,864
	<hr/>	<hr/>

The University incurred additional staff costs of £1,566,000 (£564,000 in 2004/2005) 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 £1,039,000 (£575,000 in 2004/2005).

Notes to the accounts (continued)

8 Senior post-holders' emoluments

Emoluments of the Vice-Chancellor (VC):	2005/06	2004/05
	£	£
Salary	190,518	180,030
Benefits in kind	12,862	12,558
	<hr/>	<hr/>
Total (No pension contributions made in respect of the VC)	203,380	192,588

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

	2005/06	2004/05
	Number	Number
£70,000 - £79,999	9	9
£80,000 - £89,999	4	7
£90,000 - £99,999	4	1
£100,000 - £109,999	0	0
£110,000 - £119,999	3	0
£120,000 - £129,999	2	3
£130,000 - £139,999	3	1
£140,000 - £149,999	1	0
£150,000 - £159,999	1	3
£160,000 - £169,999	1	3
£170,000 - £179,999	0	0
£180,000 - £189,999	0	1

The aggregate total of these senior staff emoluments was £3,585,356 (2004/05: £3,560,326), including benefits in kind. The values of these emoluments have increased due to the recruitment of various Senior Clinicians at PCMD.

9 Other operating expenses

	2005/06	2004/05
	£000	£000
Payments to partner institutions (see note below)	20,706	16,274
Residences, catering and conferences operating expenses	863	910
Consumables	6,020	6,129
Books and periodicals	1,493	1,562
Heat, light, water and power	2,164	1,806
Repairs and general maintenance	1,626	1,728
Grants to University of Plymouth Students' Union	763	741
Rents	2,725	2,270
Equipment	1,886	2,398
External auditors' remuneration	71	54
External auditors' remuneration in respect of non-audit services	55	67
Internal auditors' remuneration	55	67
Hire of other assets	2,013	1,914
Other expenses	19,019	17,892
	<hr/>	<hr/>
	59,459	53,812

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 £32,500 (2004/2005: £30,000).

Notes to the accounts (continued)

10 Analysis of staff costs and other operating expenses by activity

	Staff costs		Other operating expenses	
	2005/06 £000	2004/05 £000	2005/06 £000	2004/05 £000
Teaching departments	58,478	55,009	38,895	32,257
Academic support services	7,531	4,456	9,323	8,774
Administration and central services	13,473	12,734	4,351	5,912
Premises costs	5,925	5,835	4,412	4,076
Other income-generating activities	1,867	2,409	1,734	2,102
Catering and residences operations	1,380	1,421	744	691
Total	88,654	81,864	59,459	53,812

11 Interest payable

	2005/06 £000	2004/05 £000 restated
<i>Interest:</i>		
On bank loans wholly repayable in more than five years	2,185	2,223
On other loans wholly repayable in more than five years	146	231
	2,331	2,454
<i>Other Finance charges:</i>		
Expected return on pension scheme assets	(6,060)	(3,900)
Interest in pension scheme liabilities	6,090	4,270
	30	370
Total interest payable and similar charges	2,361	2,824

12 Deficit on continuing operations for the year

	2005/06 £000	2004/05 £000 restated
The surplus on continuing operations for the year is made up as follows:		
University's deficit for the year	(4,951)	(4,962)
Surpluses generated by subsidiary undertakings and payable to the University under the Gift Aid Regulations	1,081	1,281
Surpluses generated by subsidiary undertakings but retained within subsidiaries	-	182
Losses incurred by subsidiary undertakings	(1,569)	(210)
Deficit on continuing operations for the year	(5,439)	(3,709)

Notes to the accounts (continued)

13 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 2005					
Valuation	-	56,301	-	-	56,301
Cost	9,115	103,937	2,409	12,911	128,372
Total	9,115	160,238	2,409	12,911	184,673
Additions (cost)	18,646	273	-	1,099	20,018
Transfers (cost)	(7,024)	5,553	-	1,471	-
Disposals (cost)	-	(788)	-	(114)	(902)
Disposals (valuation)	-	(138)	-	-	(138)
At 31 July 2006					
Valuation	-	56,163	-	-	56,163
Cost	20,737	108,975	2,409	15,367	147,488
Total	20,737	165,138	2,409	15,367	203,651
Depreciation					
At 1 August 2005	-	29,929	511	7,479	37,919
Charge for year	-	3,807	44	1,836	5,687
Eliminated in respect of disposals	-	(256)	-	(93)	(349)
At 31 July 2006	-	33,480	555	9,222	43,257
Net book value					
At 31 July 2006	20,737	131,658	1,854	6,145	160,394
At 1 August 2005	9,115	130,309	1,898	5,432	146,754
Inherited	-	33,903	-	-	33,903
Financed by capital grant	-	35,951	-	5,735	41,686
Other	20,737	61,804	1,854	410	84,805
Net book value at 31 July 2006	20,737	131,658	1,854	6,145	160,394

The valuation was performed in 1990 and in line with the transitional arrangements of FRS 15. The University has chosen not to update this valuation.

The depreciation charge has been funded by:

	2005/06 £000	2004/05 £000
Revaluation reserve release	929	1,086
Deferred capital grant	827	1,016
General income	3,931	3,512
	<u>5,687</u>	<u>5,614</u>

Notes to the accounts (continued)

13 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 2005					
Valuation	-	56,301	-	-	56,301
Cost	9,115	97,314	2,409	12,084	120,922
Total	9,115	153,615	2,409	12,084	177,223
Additions (cost)	21,305	222	-	798	22,325
Transfers (cost)	(7,024)	5,553	-	1,471	-
Transfers to debtors (cost)	(2,659)	-	-	-	(2,659)
Transfers to other group companies (cost)	-	-	-	-	-
Disposals (cost)	-	(747)	-	(114)	(861)
Disposals (valuation)	-	(138)	-	-	(138)
At 31 July 2006					
Valuation	-	56,163	-	-	56,163
Cost	20,737	102,342	2,409	14,239	139,727
Total	20,737	158,505	2,409	14,239	195,890
Depreciation					
At 1 August 2005	-	29,744	511	7,145	37,400
Charge for year	-	3,670	44	1,631	5,345
Eliminated in respect of disposals	-	(248)	-	(93)	(341)
At 31 July 2006	-	33,166	555	8,683	42,404
Net book value					
At 31 July 2006	20,737	125,339	1,854	5,556	153,486
At 1 August 2005	9,115	123,871	1,898	4,939	139,824
Inherited	-	33,903	-	-	33,903
Financed by capital grant	-	35,951	-	5,735	41,686
Other	20,737	55,485	1,854	(179)	77,897
Net book value at 31 July 2006	20,737	125,339	1,854	5,556	153,486

Notes to the accounts (continued)

14 Investments

	Consolidated	University	Consolidated	University
	2006	2006	2005	2005
	£000	£000	£000	£000
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. UPTC Limited has a loan with the University to the value of £6,684,527 (2004/05: 6,800,000). The loan is on commercial terms and capital and interest payments are made quarterly over the loan term of 20 years.

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 31st July 2007.

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 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 2006. 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 2005 and they have not been consolidated within these statements as the University has no significant influence over the Company.

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 2005.

The University owns 35.71% of the issued share capital of 210 10p ordinary shares of Bioelf Limited, a company limited by shares and incorporated in England and Wales to act as an administrative hub to companies undertaking bio-technical research. The university nominates one of the directors and its liability is limited. 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 31 July 2005.

Notes to the accounts (continued)

15 Endowment asset investments

	Consolidated and University	
	2005/06 £000	2004/05 £000
Balance at 1 August and 31 July, represented by cash	<u>28</u>	<u>28</u>

16 Stock

	Consolidated 2006 £000	University 2006 £000	Consolidated 2005 £000	University 2005 £000
Media stocks	48	23	54	25
Merchandise stocks	5	5	5	5
Farm stocks	49	49	169	169
Catering stocks	22	22	25	25
Maintenance stocks	11	11	12	12
Total	<u>135</u>	<u>110</u>	<u>265</u>	<u>236</u>

17 Debtors

	Consolidated 2006 £000	University 2006 £000	Consolidated 2005 £000	University 2005 £000 restated
Amounts falling due within one year:				
Trade debtors	7,044	4,571	6,657	4,184
Amounts owed by group undertakings:				
subsidiary undertakings	-	6,423	-	4,998
associate undertakings	-	-	-	296
Other debtors	4,393	4,256	675	355
Prepayments and accrued income	7,595	8,095	7,506	7,074
Total	<u>19,032</u>	<u>23,345</u>	<u>14,838</u>	<u>16,907</u>
Amounts falling due after more than one year:				
Other debtors	6,606	13,141	6,694	13,345
Prepayments and accrued income	2,966	-	3,444	-
Total	<u>9,572</u>	<u>13,141</u>	<u>10,138</u>	<u>13,345</u>
Total debtors	<u>28,604</u>	<u>36,486</u>	<u>24,976</u>	<u>30,252</u>

Notes to the accounts (continued)

18 Creditors: amounts falling due within one year

	Consolidated 2006 £000	University 2006 £000	Consolidated 2005 £000	University 2005 £000
Devon County Council loan principal	-	-	272	272
Bank loans (see note 20)	1,742	1,742	1,652	1,652
Bank overdrafts	1,711	1,711	340	340
Trade creditors	2,396	2,170	2,503	2,066
Other creditors including taxation and social security	5,731	5,305	4,104	3,735
Accruals	11,171	9,817	7,407	6,501
Deferred income	14,204	14,706	13,058	12,995
Total	<u>36,955</u>	<u>35,451</u>	<u>29,336</u>	<u>27,561</u>

19 Creditors: amounts falling due after more than one year

	Consolidated 2006 £000	University 2006 £000	Consolidated 2005 £000	University 2005 £000
Secured Loans*	37,984	37,984	39,528	39,528
Unsecured loans **	1,175	1,175	1,275	1,275
Devon County Council loan principal ***	-	-	3,573	3,573
Deferred income	11,175	11,175	11,564	11,564
Total	<u>50,334</u>	<u>50,334</u>	<u>55,940</u>	<u>55,940</u>

* Loans repayable by instalments until 2028, the current rate of interest is 5.26%. 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 £46,362,629 (2004/05 £47,426,282).

** Loans repayable by instalments until 2019, the current rate of interest is 4.97%.

*** Repaid in full during the year ended 31 July 2006.

Notes to the accounts (continued)

20 Borrowings

Bank loans and other loans

	Consolidated and University	
	2006 £000	2005 £000
Bank loans and other loans are repayable as follows:		
in one year or less	1,742	1,924
between one and two years	1,793	2,021
between two and five years	5,770	6,379
in five years or more	31,596	35,976
Total	<u>40,901</u>	<u>46,300</u>

21 Provisions for liabilities

	Consolidated and University	
	2005/06 £000	2004/05 £000
Enhanced pension provisions		
At 1 August	4,713	5,018
Expenditure in the year	(335)	(293)
Transferred from/(to) income and expenditure account	<u>515</u>	<u>(12)</u>
At 31 July	<u>4,893</u>	<u>4,713</u>

The 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.

22 Deferred capital grants

	Consolidated and University			Total 2004/05 £000
	Buildings 2005/06 £000	Equipment 2005/06 £000	Total 2005/06 £000	
At 1 August	22,971	1,299	24,270	24,641
Cash receivable from funding council grant	12,813	5,490	18,303	6,123
Transfer of capital grants	694	(754)	(60)	(5,478)
Release to income and expenditure account	<u>(502)</u>	<u>(325)</u>	<u>(827)</u>	<u>(1,016)</u>
At 31 July	<u>35,976</u>	<u>5,710</u>	<u>41,686</u>	<u>24,270</u>

Notes to the accounts (continued)

23 Endowments (specific)

	Consolidated and University	
	2005/06 £000	2004/05 £000
At 1 August and 31 July	<u>28</u>	<u>28</u>

24 Revaluation reserve

	Consolidated and University	
	2005/06 £000	2004/05 £000
At 1 August	36,203	38,041
Contributions in year from Funding Council	3,846	271
Transfer from revaluation reserve to general reserve in respect of:		
- depreciation on revalued assets	(63)	(1,086)
- disposal, demolition and impairment of assets	(929)	(1,023)
At 31 July	<u>39,057</u>	<u>36,203</u>

25 Movement on general reserves

Income and expenditure account reserve

	Consolidated	University
	2005/06 £000	2005/06 £000
At beginning of year as previously stated	35,358	35,531
Prior year adjustment (Note 1)	(29,660)	(30,941)
At beginning of year as restated	<u>5,698</u>	<u>4,590</u>
Deficit on continuing operations before transfer from revaluation reserve	(5,439)	(2,589)
Transfer from revaluation reserve in respect of:		
- Depreciation	63	63
- Disposals, demolitions and impairments	929	929
Actuarial gain on assets and liabilities	250	250
Balance at 31 July	<u>1,501</u>	<u>3,243</u>

Notes to the accounts (continued)

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

	2005/06 £000	2004/05 £000 restated
Deficit on continuing operations after depreciation of assets at valuation and after taxation	(5,439)	(3,709)
Taxation	19	-
Depreciation	5,687	5,614
Deferred capital grants released to income	(827)	(1,016)
Loss/(profit) on disposal of tangible fixed assets	607	197
Interest payable (note 11)	2,361	2,454
Decrease in stocks	130	8
Increase in debtors	(4,679)	(8,181)
Increase in creditors	3,238	18,343
Increase/(decrease) in provisions	180	(304)
FRS 17 pension adjustment	1,500	1,800
Interest receivable (note 6)	(759)	(801)
HEFCE contribution in year to loan repayments	3,845	271
	<hr/>	<hr/>
Net cash inflow from operating activities	5,863	14,676
	<hr/>	<hr/>

27 Returns on investments and servicing of finance

	2005/06 £000	2004/05 £000
Other interest received	759	801
Interest paid	(2,446)	(2,437)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(1,687)	(1,636)
	<hr/>	<hr/>

28 Taxation

	2005/06 £000	2004/05 £000
Taxation paid	(19)	-
	<hr/>	<hr/>
Net cash outflow from taxation	(19)	-
	<hr/>	<hr/>

29 Capital expenditure and financial investment

	2005/06 £000	2004/05 £000
Purchase of tangible fixed assets	(17,480)	(17,328)
Sale of tangible fixed assets	20	2,078
Deferred capital grants received	19,709	6,112
	<hr/>	<hr/>
Net cash inflow/(outflow) from capital expenditure and financial investment	2,249	(9,138)
	<hr/>	<hr/>

Notes to the accounts (continued)

30 Financing

	2005/06 £000	2004/05 £000
New secured loan	-	3,535
Repayment of amounts borrowed	(5,399)	(1,750)
Net cash inflow from financing	<u>(5,399)</u>	<u>1,785</u>

31 Analysis of changes in net funds

	At 1 August 2005 £000	Cashflows £000	Other changes £000	At 31 July 2006 £000
Cash in hand, and at bank	2,737	488	-	3,225
Endowment asset investments (note 15)	28	-	-	28
Overdrafts	<u>(339)</u>	<u>(1,370)</u>	<u>-</u>	<u>(1,709)</u>
	2,426	(882)	-	1,544
Debt due within one year	(1,926)	1,926	(1,744)	(1,744)
Debt due after one year	(44,375)	3,473	1,744	(39,158)
Management of liquid resources	11,034	1,889	-	12,923
Net debt	<u>(32,841)</u>	<u>6,406</u>	<u>-</u>	<u>(26,435)</u>

32 Commitments

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

	Consolidated and University	
	2006 £000	2005 £000
Commitments contracted at 31 July	19,936	3,911
Authorised but not contracted at 31 July	941	18,294
Total	<u>20,877</u>	<u>22,205</u>

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

	Consolidated and University			
	2006		2005	
	£000	£000	£000	£000
	Land and Buildings	Other	Land and Buildings	Other
Operating leases which expire:				
Within one year	-	1,760	-	1,493
In the second to fifth years inclusive	-	1,543	-	3,051
Over five years	-	-	-	-
Total	<u>-</u>	<u>3,303</u>	<u>-</u>	<u>4,544</u>

Notes to the accounts (continued)

33 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 (2004/05: £150,000).

The University has also provided a guarantee to HSBC plc for an overdraft for UPTC Limited of £50,000 (2004/05: £50,000) and also for Plymouth Healthcare Education Limited (PHEL) for £50,000 (2004/05: £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.

The University operates its learning resources/library service through UPTC Limited. In September 2006 Her Majesty's Revenue and Customs successfully challenged the University of Ulster on its arrangements for the delivery of similar services resulting in additional VAT charges. The University of Plymouth is currently reviewing the impact of this tribunal on its own arrangements. At the date of these financial statements it is not possible to quantify the financial impact, if any, of this recent case.

34 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	2005/06 £000	2004/05 £000
Income/Expenditure				
Tamar Science Park Limited	Associate	Consumables and rental payments	3	8
		Grant Contribution	38	32
		Advanced rent for PCMD Phase II building	126	644
Amount due from: Tamar Science Park Limited	Associate		7	296
Amount due to: Tamar Science Park Limited	Associate		1	9
Expenditure Bioelf Limited	Associate	Grant Contribution/subscription	6	33
Amount due to: Bioelf Limited	Associate		-	11
Income South West England Regional Network Ltd	Associate	Salary recharged	104	82

Notes to the accounts (continued)

34 Related party transactions (continued)

Name	Nature of relationship	Detail	2005/06 £000	2004/05 £000
Expenditure Plymouth Pavillions Ltd	Governor interest	Ticket purchases and arena hire	131	-
Expenditure Theatre Royal Plymouth	Governor interest	Ticket purchases	6	-
Expenditure National Marine Aquarium	Governor interest	Ticket purchases	8	-
Amount due to: National Marine Aquarium	Governor interest		2	-

35 Access funds

	2005/06 £000	2004/05 £000
Funding council grants	1,741	1,654
Disbursed to students	(1,741)	(1,654)
Balance unspent as at 31 July	-	-

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.

36 Pensions

Devon County Council Pension Fund

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 2006. 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
April 2006 to March 2007	155% of members' contributions

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

Notes to the accounts (continued)

The major assumptions used in this valuation were:

	31 July 2006	31 July 2005	31 July 2004
Discount rate	5.1%pa	5.0%pa	5.7% pa
Rate of increase in salaries	4.6%pa	4.2%pa	4.4% pa
Rate of increase in pensions in payment	3.1%pa	2.7%pa	2.9% pa
Rate of increase in deferred pensions	3.1%pa	2.7%pa	2.9% pa
Rate of inflation	3.1%pa	2.7%pa	2.9% pa
Long term expected rates of return on:			
Equities	7.4%pa	7.4%pa	8.0% pa
Bonds	4.7%pa	4.7%pa	5.2% pa
Property	6.4%pa	6.4%pa	7.0% pa
Other assets	4.7%pa	4.7%pa	4.8% pa
Average long term expected rate of return	6.6%pa	6.6%pa	7.1% pa

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were: -

	31 July 2006		31 July 2005		31 July 2004	
	£m	%	£m	%	£m	%
Equities	70.43	67	59.88	67	34.40	65
Bonds	16.82	16	14.30	16	9.53	18
Property	11.56	11	8.04	9	5.29	10
Other	6.31	6	7.15	8	3.71	7
Total	<u>105.12</u>	<u>100</u>	<u>89.37</u>	<u>100</u>	<u>52.93</u>	<u>100</u>

	31 July 2006	31 July 2005	31 July 2004
	£m	£m	£m
Share of assets in the Fund	105.12	89.37	52.93
Estimated funded liabilities	(136.03)	(119.03)	(72.55)
Estimated unfunded liabilities	-	-	-
University of Plymouth's deficit in the Fund	<u>(30.91)</u>	<u>(29.66)</u>	<u>(19.62)</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)

Movement in net deficit during the year

	2005/06 £m	2004/05 £m	2003/04 £m
Net deficit at beginning of year	(29.66)	(19.62)	(19.58)
Current service cost	(5.14)	(4.23)	(3.16)
Contributions paid (deduced)	3.67	2.80	2.07
Other finance income	(0.03)	(0.37)	(0.57)
Actuarial gain/(loss)	0.25	(8.24)	1.62
Net deficit at end of year	<u>(30.91)</u>	<u>(29.66)</u>	<u>(19.62)</u>

Analysis of other pension costs charged in arriving at operating loss

	2005/06 £m	2004/05 £m
Current service cost	(5.14)	(4.23)
Gain/loss on any curtailments/settlements	-	-
Total charged to operating charge	<u>(5.14)</u>	<u>(4.23)</u>

Analysis of amounts included in other finance income

	2005/06 £m	2004/05 £m
Expected return on pension fund assets	6.06	3.90
Interest on pension scheme liabilities	(6.09)	(4.27)
Net (charge)/credit to other finance income	<u>(0.03)</u>	<u>(0.37)</u>

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

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

	05/06 £m	05/06 %	04/05 £m	04/05 %	03/04 £m	03/04 %	02/03 £m	02/03 %
Actual return less expected return on assets	5.53	5.3	11.41	12.8	1.53	2.9	(0.03)	0.1
Experience gains and losses on pension liabilities	(0.19)	(0.1)	(5.62)	4.7	(0.02)	0.0	0.08	0.1
Changes in assumptions underlying the present value of pension liabilities	(5.09)	(3.7)	(14.03)	11.85	0.11	0.2	(9.61)	14.7
Total	<u>0.25</u>	<u>0.2</u>	<u>(8.24)</u>	<u>6.95</u>	<u>1.62</u>	<u>2.2</u>	<u>(9.56)</u>	<u>14.7</u>

Notes to the accounts (continued)

Universities' Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), 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. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. 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 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% 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 £21,740 million and the value of the past service liabilities was £28,308 million leaving a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at the valuation date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the University was £254,626 (2004/05: £231,302). The contribution rate payable by the institution was 14% of pensionable salaries.

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.

Notes to the accounts (continued)

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.

The pensions charge recorded by the University during the accounting period was equal to the contributions payable £4,308,647 (2004/05: £4,010,237).

National Health Service Pension Scheme (NHS)

The pensions charge recorded by the University during the accounting period was equal to the contributions payable £256,973 (2004/05: £266,051). The contribution rate payable by the institution was 14% of pensionable salaries (2004/05: 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)

37 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY - 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 2006**

	Explanatory Notes	University of Exeter 2005/06 £000	University of Plymouth 2005/06 £000	Total 2005/06 £000	Total 2004/05 £000
INCOME					
Funding Council grants	3	3,504	3,504	7,008	6,514
Tuition fees and education contracts		579	579	1,158	777
University research support		62	61	123	189
NHS funding	4	2,382	2,382	4,764	5,104
Research grants and contracts		2,357	2,357	4,714	4,461
Other income	5	1,419	1,419	2,838	2,991
Endowment and investment income		164	164	328	251
Total income		10,467	10,466	20,933	20,287
EXPENDITURE					
Staff costs		6,118	6,119	12,237	11,002
Other operating expenses		3,931	3,931	7,862	7,504
Depreciation	6	123	122	245	212
Total expenditure		10,172	10,172	20,344	18,718
Surplus on continuing operations		295	294	589	1,569

BALANCE SHEET of the HE Community Chest as at 31 July 2006

	Explanatory Notes	2005/06 £000	2004/05 £000
Fixed assets			
Tangible assets	6	632	768
Current assets			
Debtors	7	5,862	3,694
Cash at bank and in hand	8	6,730	5,305
		12,592	8,999
Creditors: amounts falling due within one year	9	(9,579)	(6,581)
Net current assets		3,013	2,418
Total assets less current liabilities		3,645	3,186
TOTAL NET ASSETS		3,645	3,186
Deferred capital grants		627	757
Reserves	10	3,018	2,429
TOTAL		3,645	3,186

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

The Peninsula College of Medicine and Dentistry (PCMD), previously known as the Peninsula Medical School, changed name on the 1st September 2006. This was due to the creation of the Peninsula Dental School in January 2006 following a successful bid to the Government, as part of a national expansion of dental student numbers in the UK. PCMD 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. PCMD, 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. PCMD operates from the Tamar Science Park, John Bull Building, Research Way, Plymouth, Devon, PL6 8BU.

2. Audit arrangements

A 50% share of the income, expenditure and balance sheet items of the "HE Community Chest" of the Peninsula College of Medicine and Dentistry 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 2006.

3. Funding Council grants

	2005/06	2004/05
	£000	£000
Recurrent grant	6,418	5,110
Specific grants		
HEFCE Equipment Capital grant	-	1,080
Widening Participation	-	10
Other	401	133
Deferred capital grants released in year - equipment	189	181
	<u>7,008</u>	<u>6,514</u>

4. NHS funding

	2005/06	2004/05
	£000	£000
Service Increment for Teaching (SIFT) funding	4,764	4,508
Capital funding	-	596
	<u>4,764</u>	<u>5,104</u>

The funding was receivable to cover HE expenditure attributable to the NHS aspects of the Peninsula College of Medicine and Dentistry.

5. Other Income

	2005/06	2004/05
	£000	£000
Other grant income	1,050	103
Other income	1,788	2,888
	<u>2,838</u>	<u>2,991</u>

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

	2005/06	2004/05
	£000	£000
Debtors	1,185	1,285
Prepayments and accrued income	1,936	1,634
Due from NHS partners	2,741	775
	<u>5,862</u>	<u>3,694</u>

8. Cash at bank and in hand

	2005/06	2004/05
	£000	£000
Held by:		
University of Exeter	5,403	4,177
University of Plymouth	1,256	976
University of Plymouth Peninsula College of Medicine and Dentistry	71	152
	<u>6,730</u>	<u>5,305</u>

These balances are held under the agreed management arrangements. The University of Plymouth Peninsula College of Medicine and Dentistry 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

	2005/06	2004/05
	£000	£000
Trade creditors	72	347
Other creditors	21	10
Due to partner universities	1,314	552
Deferred income:		
HEFCE recurrent teaching grant	3,354	2,558
NHS Capital funding received in advance	265	265
SIFT income received in advanced	146	-
Accruals and other deferred income	4,407	2,849
	<u>9,579</u>	<u>6,581</u>

10. Reserves

	2005/06	2004/05
	£000	£000
Opening balance	2,429	860
Surplus for the year	589	1,569
Closing balance	<u>3,018</u>	<u>2,429</u>

11. Expenditure within the NHS

During the year ended 31 July 2006 the following expenditure relating to PCMD took place within the NHS (this expenditure was not funded through the "HE Community Chest"):

	2005/06	2004/05
	£000	£000
Total Spend	<u>14,168</u>	<u>6,718</u>