



UNIVERSITY OF PLYMOUTH

HIGHER EDUCATION CORPORATION

Financial Statements

For the Year to

31 July 2007

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Advisors to the University of Plymouth**Registered Auditors**

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3 Longbridge Road
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PL6 8LT

Bankers

HSBC Bank plc
4 Old Town Street
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Solicitors

Wolferstans
Deptford Chambers
60/64 North Hill
Plymouth
PL4 8EP

Pinsent Masons
3 Colmore Circus
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B4 6BH

Martineau Johnson
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B4 6AA

VAT Advisors

ECA VAT Advisors Limited T/a Ellis Chapman & Associates
Caledonian House
Tatton Street
Knutsford
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WA16 6AG

Corporation Tax Advisors

KPMG LLP
100 Temple Street
Bristol
BA1 6AG

Advisors to the University of Plymouth (continued)**Board of Governors**

External	Mrs Sharon Arney
	Mr Ken Beecham (Vice-Chair)
	Mrs Barbara Bond (Chair)
	Mr Nick Buckland
	Mr Duncan Currall
	Mrs Helen Davies
	Professor Sir Martin Harris
	Mr Tim Jones
	Mr Mike Leece OBE
	Mrs Melody Mason
	Dr Noel Olsen
	Mr Michael Pearson
	Mr Stephen Pryor
	Mr Geoff Rees CBE
	Mr Alan Strowger
	Mr Mark Taylor
	Judge William Taylor
	Mr Adrian Vinken OBE
	Mrs Ellen Winser
Internal	Dr Maria Donkin (Academic Staff)
	Mr Steve Monk (General Staff)
Teacher Members	Mr Peter Sims
	Mr David Fallows
Student Member	Mr Alex Harris
Acting Vice-Chancellor	Professor Steve Newstead

Financial Report for the Year Ended 31 July 2007

Vice-Chancellor

The year 2007 started with the tragic death of the Vice-Chancellor, Professor Roland Levinsky. Roland was at Plymouth University from 2002-2007 and during this time demonstrated his dedication to the principle that individuals should be encouraged to achieve their full potential. This manifested itself through his support of students, the improvement of student facilities and in his commitment to academic excellence in everything he and the University did.

It is appropriate that his name should be remembered in connection with student success and excellence and to this end the University has established the Roland Levinsky Memorial Fund to act as a living memory of Roland and provide scholarships, studentships and academic prizes across the University. The original Rowe Street Development has now been renamed as the Roland Levinsky Building in recognition of his life and work in Plymouth.

Professor Wendy Purcell has been appointed as the new Vice Chancellor and will arrive in readiness for the start of 2008. Professor Purcell, a Plymouth graduate, is dynamic, energetic and has a clear vision for the university and the University is looking forward to working with her.

Scope of the Financial Statements

The financial statements comprise the consolidated results of the University and its wholly owned subsidiaries. The subsidiary companies undertake research, consultancy and technology transfer activities; nursing and allied healthcare training, together with the provision of conferences, car parking facilities and facilities management. To minimise any corporation tax charges, any taxable profits are gifted to the University by the subsidiaries.

Mission Statement

The University's mission is to be a University of excellence serving the region. It aims to achieve this by:

- Being an effective community working in partnership with others.
- Being open and accessible.
- Cultivating scholarship within the university, city and region.
- Delivering teaching and research to national and international standards.
- Developing responsible students capable of critical reasoning and practical action.
- Fostering cultural activities within the University, city and region.
- Internationalising the experience and impact of the university community.
- Working closely with business and industry to mutual benefit.

Results for the Year

The University's consolidated income, expenditure and results for the year to 31 July 2007 are summarised as follows:-

	2006/07 £000	2005/06 £000
Income	162,122	151,348
Expenditure	(166,645)	(156,161)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation but before disposals of assets and taxation	<u>(4,523)</u>	<u>(4,813)</u>
Exceptional item: Profit/(loss) on disposal of fixed assets	697	(607)
Taxation	52	(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	1,386	992
Historical cost deficit for the year after taxation	<u>(2,388)</u>	<u>(4,447)</u>

Financial Report for the Year Ended 31 July 2007 (continued)

The University has had another challenging year, recording an operating deficit of £4.5m and a historical cost deficit of £2.4m. The University has invested over £100m in its estate over the last five years as part of its strategic vision to develop a single multi-faculty campus based in Plymouth. This rationalisation of the estate has been costly, but the University is now moving into a period of consolidation, during which time it is planned to move to a position of operating surplus.

As part of the rationalisation the University will be making significant capital disposals over the next two years and every effort is being made to maximize the value of these. In 2006/07 the Ernesettle sports pitches were sold generating a surplus of £0.9m. However, the costs of re-surfacing the James Street Car Park, which has made way to provide teaching and living accommodation in preparation for the relocation of the Faculty of Education from Exmouth, had to be written off in the year resulting in an overall profit on disposals of £0.7m.

Income rose by 7.1% as the University continues to expand its activities, receiving additional funding from HEFCE for additional students in the University's partner colleges and also for the medical school. The introduction of variable fees has led to a 37% increase in fee income from full time home and EU students in 2006/07. The University delivers research at national and international level and this is reflected in the 12% increase in research income to £11m.

Income from Education Contracts has shown a reduction compared to 2005/06. This reflects the impact of a 15% cut in funding to the NHS and the consequent re-profiling of funding to the University for 2006/07 and 2007/08. This has resulted in £1.5m being deferred into the financial year ending 31 July 2008.

The University has been very successful in securing grant funding from HEFCE and the RDA for its capital projects. In 2006/07 £1.2m of capital grants were released and there will be significant increases in the release over the next three years as the new builds and other capital projects are brought into use.

In 2006/07 staff costs increased by 8% as a result of the nationally agreed pay award and the implementation of the New Pay and Reward Scheme. Although at 59% of total income (59% - 2005/06) the University performs well within the sector. All other operating costs remained fairly static year on year (39% of total income) despite significant increases in utility costs and ongoing costs associated with restructuring.

The University balance sheet has improved with net assets increasing by £20.1m. The Roland Levinsky Building is now in use and has added £35m to the amount of fixed assets. It should be noted that the market value of land is higher than the current book value, although no formal valuation has been performed in the year. The loan used to fund the Roland Levinsky Building has been fully drawn down and has increased long term borrowing by £20m. The University restructured its loan arrangements earlier in the year which included repaying £7m of more expensive borrowings. The FRS 17 adjustment for Pension Liabilities reflects the actuarial gain of £11.5m which has led to a reduced pension liability of £20.3m. During the year the library scheme was unwound and the library operations were transferred from UPTC Limited into the University. The library building was transferred at net book value and the proceeds were offset against the intercompany loan.

The University cash flow shows an improved position with an increase of cash of £2.7m compared to a decrease in cash of £0.9m in 2005/06. This increase in cash in the year is primarily due to the following; an increase in capital expenditure of £29m which is mainly due to the Roland Levinsky building; an increase in financing of £27m specifically taken to finance the Roland Levinsky building; an increase in the amount of tax paid of £0.4m which is as a result of the HM Revenue and Customs investigations in to the subsidiary companies and the transfer of monies held in current asset investments of £6.6m to cash.

Capital Project Developments

The University has continued to invest in new and upgraded teaching facilities and infrastructure, most of the work being associated with the relocations of the Faculties of Arts and Education. The Roland Levinsky building was completed this year and is now home to the Faculty of Arts, which relocated from Exeter during the summer. This building has won an award for its utilisation of copper and the official opening of the building was on 16th November 2007. A major refurbishment and extension to the Scott Building was completed in the autumn and now also provides superb facilities for the Faculty of Arts. Work continued on the Rolle Building and Francis Drake Hall of Residence Development which will accommodate staff and students from the Faculty of Education, to include the Exmouth campus, when they relocate in 2008 for the 2008-2009 academic year.

Work has commenced on the Nancy Astor Building which will provide office accommodation and facilities for the Faculty of Health and Social Work and central administrative support staff for the academic year 2008-2009. This will also include a much needed sports hall and extra fitness suite.

Financial Report for the Year Ended 31 July 2007 (continued)

Other significant capital expenditure has included the installation of laboratories in the Davy Building and the installation of laboratories in Portland Square for the first intake of dental students to the Peninsula College of Medicine and Dentistry.

The sports facility at Ernesettle was disposed of in the year, with a gain on disposal of £0.9m. There were no other disposals in the year. However, the next few years will see some significant disposals; the Seale Hayne site at Newton Abbott; Earl Richards Road North at Exeter; the University buildings at Exmouth and a number of properties in Plymouth including the Hoe Centre.

Sustainability

The University is committed to the development and promotion of sustainability issues and this is exemplified by the hosting of a sustainability conference in 2008 with world-wide delegates.

The Centre for Sustainable Futures was established using grants awarded for the development of Centres of Excellence for Teaching and Learning. It aims to put sustainability at the Centre of the thinking and actions of the University and also the wider national and international community.

The University is currently considering the setting up of a Carbon offset fund, which it is envisaged the University, its staff and its students will be able to contribute to. The funds will be used to reduce our carbon footprint and to promote sustainability in and around the University.

The University of Plymouth has put Devon on the eco map after being recognised nationally in a prestigious environmental competition. The University has been highly commended in the Green Gown Awards for the impressive achievement of saving £1.6 million from water conservation.

Fundraising

The University undertook to increase its commitment to receiving donations towards the charitable objectives of the organisation. In the period concerned, the University raised funds from individuals, organisations and business towards the Portland Square Memorial to mark the tragic wartime disaster which took place on the current Plymouth campus at the height of the blitz in World War II; the Roland Levinsky Memorial Fund which will provide scholarships and prizes at under and postgraduate level across the university and a three year Youth Music Development Project to be managed by the Peninsula Arts programme.

Future Developments

There are significant developments to report over the next few years. The most notable of these are the development of Drakes Park and reservoir; the Plymouth Marine Science and Technology Cluster which is in its early stages of development and built on a partnership between the University, the Naval Base, the Regional Development Agency (RDA) and other partners; the 'Wave Hub' collaboration between the Universities of Plymouth and Exeter which is an RDA funded initiative and linked with the Primary Research Institution for Marine and Renewable Energy (PRIMARE). Finally, the University is looking to develop its overseas links and connections and there are currently developments in Hong Kong with Hong Kong University and in India with The Marine Institute.

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.

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 36 days to pay its creditors from the date of issue of the invoice (2005/06 35 days).

Financial Report for the Year Ended 31 July 2007 (continued)

Student Numbers

Student numbers decreased to 30,466 (down from 30,641), whereas staff employed increased by, on average, 99 FTEs to 2,516. The following figures have been provided by the Corporate Information Department as background information:

	2006/07		2005/06	
	Heads	FTE	Heads	FTE
Within the University (including Peninsula College of Medicine and Dentistry)	21,476	16,873	22,764	17,860
Further education college partnerships	8,990	6,256	7,877	5,485
Total	30,466	23,129	30,641	23,345

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 and Division is allocated a Human Resources adviser.

Equal Opportunities

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

Employment of Disabled Persons

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

Health and Safety

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

Financial Report for the Year Ended 31 July 2007 (continued)

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.



Chair of the Board of Governors
November 2007



Acting Vice-Chancellor and Chief Executive
November 2007

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 2007. The Board of Governors can also confirm that the University continues to comply with the provisions of the Committee of University Chairmen (CUC) Governance Code of Practice.

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 2006/07 it comprised twenty-three 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, who was the President of the Students' Union. The Board had four scheduled meetings during the year, plus two away days to discuss issues of strategic importance. Following the untimely death of the University's Vice-Chancellor in January 2007, the Board held three further extraordinary meetings to oversee the process for recruitment of a new Vice Chancellor.

The University understands the need for 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. It also has responsibilities for the educational character and mission of the University, and to this end, the Board receives copies of the minutes of the University's Academic Board, together with regular reports from the executive about ongoing developments. The Board is charged with specific responsibilities under the University's Articles of Government; in financial and other agreements with funding bodies; and by statutory authority, and such matters are presented to the Board in the form of approvals and regular reports. 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.

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, Employment and Remuneration Committees each include an independent member with relevant professional expertise who is not a member of the University or the Board of Governors.

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.

Corporate Governance Statement (continued)

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 Chancery; the next review is scheduled for Spring 2008. The Audit Committee also ensures that an aspect of institutional governance is selected for review by the internal auditors in each year. In 2006/07, the auditors reviewed the University's public interest disclosure policy. The report concluded that the policy was generally effective but proposed some improvements which will be incorporated in the coming year.

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 and updated policy during the 2006/07 session.

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 2006/07 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.

Corporate Governance Statement (continued)

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 divisions produce local risk registers. In some cases, divisions have identified that the key risks in their area are incorporated within the corporate risk register or individual project registers. In 2006/07, the University organised a series of workshops designed to embed risk management within business planning processes in a more cohesive manner. It is now developing templates for local risk registers, to ensure consistency of reporting, and is developing an approach to key performance indicators which will integrate planning, risk and performance monitoring.

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 2007 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 2007 which comprise the 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 Financial Report and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2003, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 10.

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 2003. 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

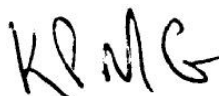
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the 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 2007 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 2003;
- 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 2007 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2007 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

Chartered Accountants
Registered Auditor

21 December 2007

Statement of Principal Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for 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 2007. 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 lifetime of members of the schemes after making allowances for further withdrawals.

Statement of Principal Accounting Policies (continued)

Pension schemes (continued)

The University of Plymouth participates in the Devon County Council Pension Fund. The Fund, which is part of the Local Government Pension Scheme, provides benefits based on final pensionable salary. 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.

Finance costs which are directly attributable to the construction of buildings are capitalised as part of the cost of those assets. Such interest is capitalised only up until the date the relevant building is brought into use. The rate of interest used is the applicable cost of funds during this period.

Statement of Principal Accounting Policies (continued)

Tangible fixed assets (continued)

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.

Contract work in progress relates to projects being undertaken and is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

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. However the University does have some trading income, which is subject to Corporation Tax in the same way as commercial organisations.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

The University receives no 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 2007**

	Notes	Year ended 31 July 2007	Year ended 31 July 2006
		£000	£000
INCOME			
Funding Council grants	1	89,637	84,660
Tuition fees and education contracts	2	44,364	40,336
Research grants and contracts	3	11,007	9,848
Other income	4	16,114	15,745
Endowment and investment income	5	1,000	759
Total income		162,122	151,348
EXPENDITURE			
Staff costs	6	(95,862)	(88,654)
Other operating expenses	8	(62,811)	(59,459)
Depreciation	13	(5,817)	(5,687)
Interest payable	10	(2,155)	(2,361)
Total expenditure		(166,645)	(156,161)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before tax		(4,523)	(4,813)
Exceptional item:			
Profit/(loss) on disposal of fixed assets		697	(607)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and disposal of fixed assets and before tax		(3,826)	(5,420)
Taxation	11	52	(19)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax	12	(3,774)	(5,439)

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 2007**

	Notes	2006/07	2005/06
		£000	£000
Deficit on continuing operations before taxation		(3,826)	(5,420)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	25	1,012	929
Released in respect of disposals, demolitions and impairments	25	374	63
Historical cost deficit for the year before taxation		(2,440)	(4,428)
Historical cost deficit for the year after taxation		(2,388)	(4,447)

**Statement of total recognised gains and losses
for the year ended 31 July 2007**

	Notes	2006/07 £000	2005/06 £000
Deficit on continuing operations after depreciation of assets at valuation and taxation		(3,774)	(5,439)
Actuarial gain on pension scheme	36	11,500	250
HEFCE contributions to loan repayments	24	-	3,845
Movement on endowments	23	8	-
Total recognised gains/(losses) relating to the year		7,734	(1,344)
		2006/07	2005/06
		£000	£000
Reconciliation			
Opening reserves and endowments		40,586	41,930
Total recognised gains/(losses) for the year		7,734	(1,344)
Closing reserves and endowments		48,320	40,586

Balance sheet as at 31 July 2007

	Notes	Consolidated 2007 £000	University 2007 £000	Consolidated 2006 £000	University 2006 £000
Fixed assets					
Tangible assets	13	191,353	191,105	160,394	153,486
Investments	14	56	38	54	38
		<u>191,409</u>	<u>191,143</u>	<u>160,448</u>	<u>153,524</u>
Endowment asset investments	15	<u>36</u>	<u>36</u>	<u>28</u>	<u>28</u>
Current assets					
Stock	16	245	142	136	110
Debtors – amounts falling due after more than one year	17	9,219	6,731	9,572	13,141
Debtors – amounts falling due within one year	17	24,371	24,167	19,031	23,345
Investments (liquid resources)		8,114	8,074	12,923	12,423
Cash at bank and in hand		5,088	4,659	3,226	3,031
		<u>47,037</u>	<u>43,773</u>	<u>44,888</u>	<u>52,050</u>
Creditors: amounts falling due within one year	18	<u>(41,053)</u>	<u>(36,545)</u>	<u>(36,955)</u>	<u>(35,451)</u>
Net current assets		<u>5,984</u>	<u>7,228</u>	<u>7,933</u>	<u>16,599</u>
Total assets less current liabilities		<u>197,429</u>	<u>198,407</u>	<u>168,409</u>	<u>170,151</u>
Creditors: amounts falling due after more than one year	19	<u>(69,555)</u>	<u>(69,555)</u>	<u>(50,334)</u>	<u>(50,334)</u>
Provisions for liabilities	21	<u>(5,103)</u>	<u>(5,103)</u>	<u>(4,893)</u>	<u>(4,893)</u>
NET ASSETS BEFORE PENSION SCHEME LIABILITIES		<u>122,771</u>	<u>123,749</u>	<u>113,182</u>	<u>114,924</u>
Pension scheme liabilities		<u>(20,330)</u>	<u>(20,330)</u>	<u>(30,910)</u>	<u>(30,910)</u>
NET ASSETS AFTER PENSION SCHEME LIABILITIES		<u>102,441</u>	<u>103,419</u>	<u>82,272</u>	<u>84,014</u>
Deferred capital grants	22	<u>54,121</u>	<u>54,121</u>	<u>41,686</u>	<u>41,686</u>
Endowments					
Specific	23	<u>36</u>	<u>36</u>	<u>28</u>	<u>28</u>
Reserves					
Revaluation reserve	24	37,671	37,671	39,057	39,057
General reserve	25	10,613	11,591	1,501	3,243
Total reserves		<u>48,284</u>	<u>49,262</u>	<u>40,558</u>	<u>42,300</u>
TOTAL		<u>102,441</u>	<u>103,419</u>	<u>82,272</u>	<u>84,014</u>

The financial statements on pages 1 to 42 were approved by the Board of Governors on 30th November 2007 and were signed on its behalf by:



Barbara Bond
Chair of the Board of Governors



Professor Steve Newstead
Acting Vice-Chancellor and Chief Executive

**Consolidated cash flow statement
for the year ended 31 July 2007**

	Notes	2006/07 £000	2005/06 £000
Cash flow from operating activities	26	4,529	5,863
Returns on investments and servicing of finance	27	(1,119)	(1,687)
Taxation paid	28	(379)	(19)
Capital expenditure and financial investment	29	(26,783)	2,249
Management of liquid resources	31	4,809	(1,889)
Financing	30	21,617	(5,399)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		2,674	(882)
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement in net debt

		2006/07 £000	2005/06 £000
Increase /(decrease) in cash in the year	31	2,674	(882)
Cash inflow from new secured loan	30	(52,677)	-
Cash outflow from repayment of loans	30	31,060	5,399
Cash (inflow)/outflow from liquid resources	31	(4,809)	1,889
		<hr/>	<hr/>
Movement in net debt in year		(23,752)	6,406
Net debt at 1 August	31	(26,435)	(32,841)
		<hr/>	<hr/>
Net debt at 31 July	31	(50,187)	(26,435)
		<hr/> <hr/>	<hr/> <hr/>

Notes to the accounts

1 Funding Council grants

	HEFCE £000	TDA £000	2006/07 Total £000	2005/06 Total £000
Recurrent teaching grants	73,906	3,556	77,462	73,850
Recurrent research grants	3,706	-	3,706	3,075
Specific grants:				
Other	7,168	128	7,296	6,934
Releases of deferred capital grants:				
Buildings (note 22)	734	-	734	502
Equipment (note 22)	439	-	439	299
Total	85,953	3,684	89,637	84,660

2 Tuition fees and education contracts

	2006/07 £000	2005/06 £000
Full-time UK & European Union (EU) students	18,716	13,645
Full-time non-EU students	5,907	6,189
Part-time students	1,898	1,714
Special and short course fees	323	335
Total fees paid by or on behalf of individual students	26,844	21,883
Education contracts	17,520	18,453
Total	44,364	40,336

3 Research grants and contracts

	2006/07 £000	2005/06 £000
Research councils	2,653	2,601
UK based charities	1,470	1,673
UK based government bodies	3,873	3,060
UK based industry and commerce	769	712
European Commission	118	23
EU Framework	1,305	1,137
European based government bodies	173	183
Other European grants and contracts	338	271
Other overseas grants and contracts	282	162
Releases of deferred capital grants re equipment (note 22)	26	26
Total	11,007	9,848

Notes to the accounts (continued)

4 Other income	2006/07	2005/06
	£000	£000
Residences, catering and conferences	2,771	2,385
Other grant income	4,462	4,287
Nursery income	447	435
Rental and car park income	385	598
Educational visits and field trips	530	471
Farm income	44	336
Recreation income	229	233
Other miscellaneous income	7,246	7,000
	<hr/>	<hr/>
Total	16,114	15,745
	<hr/> <hr/>	<hr/> <hr/>

5 Endowment and investment income

	2006/07	2005/06
	£000	£000
Investment income (non-endowment income)	1,000	759
	<hr/>	<hr/>
	<hr/> <hr/>	<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:

	2006/07	2005/06
	Number	Number
Teaching departments	1,546	1,463
Academic support services	322	286
Administration and central services	298	307
Premises	224	229
Other income-generating activities	60	72
Catering and residences	66	60
	<hr/>	<hr/>
Total	2,516	2,417
	<hr/> <hr/>	<hr/> <hr/>

	2006/07	2005/06
	£000	£000
Wages and salaries	80,476	74,450
Social security costs	6,058	5,943
Other pension costs	9,328	8,261
	<hr/>	<hr/>
Total	95,862	88,654
	<hr/> <hr/>	<hr/> <hr/>

	2006/07	2005/06
	£000	£000
Employment costs for staff on permanent contracts	74,017	68,669
Employment costs for staff on short-term and temporary contracts	21,845	19,985
	<hr/>	<hr/>
Total	95,862	88,654
	<hr/> <hr/>	<hr/> <hr/>

Notes to the accounts (continued)

7 Senior post-holders' emoluments

Emoluments of the Vice-Chancellor (VC):	2006/07 £	2005/06 £
Salary	183,016	190,518
Benefits in kind	6,903	12,862
Total (No pension contributions made in respect of the VC)	<u>189,919</u>	<u>203,380</u>

This year the emoluments of the Vice-Chancellor include the Vice-Chancellor and two acting Vice Chancellors.

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:

	2006/07 Number	2005/06 Number
£70,000 - £79,999	17	9
£80,000 - £89,999	5	4
£90,000 - £99,999	5	4
£100,000 - £109,999	0	0
£110,000 - £119,999	1	3
£120,000 - £129,999	2	2
£130,000 - £139,999	1	3
£140,000 - £149,999	2	1
£150,000 - £159,999	3	1
£160,000 - £169,999	0	1
£170,000 - £179,999	1	0

The aggregate total of these senior staff emoluments was £3,802,211 (£2,840,943 in 2005/06), including benefits in kind. The values of these emoluments have increased due to the recruitment of various Senior Clinicians at the Peninsula College of Medicine and Dentistry.

8 Other operating expenses

	2006/07 £000	2005/06 £000
Payments to partner institutions (see note below)	19,952	20,706
Residences, catering and conferences operating expenses	1,353	863
Consumables	5,882	6,020
Books and periodicals	1,604	1,493
Heat, light, water and power	2,753	2,164
Repairs and general maintenance	1,748	1,626
Grants to University of Plymouth Students' Union	763	763
Rents	1,982	2,725
Equipment	1,677	1,886
External auditors' remuneration	83	71
External auditors' remuneration in respect of non-audit services	37	55
Internal auditors' remuneration	71	55
Hire of other assets	1,771	2,013
Other expenses	23,135	19,019
	<u>62,811</u>	<u>59,459</u>

Notes to the accounts (continued)

8 Other operating expenses (continued)

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 £40,000 (£32,500 in 2005/2006).

9 Analysis of staff costs and other operating expenses by activity

	Staff costs		Other operating expenses	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
Teaching departments	64,295	58,478	45,463	38,895
Academic support services	9,001	7,531	10,485	9,323
Administration and central services	12,873	13,473	2,144	4,351
Premises costs	6,224	5,925	3,632	4,412
Other income-generating activities	1,904	1,867	947	1,734
Catering and residences operations	1,565	1,380	140	744
Total	95,862	88,654	62,811	59,459

10 Interest payable

	2006/07 £000	2005/06 £000
<i>Interest:</i>		
On bank loans wholly repayable in more than five years	2,570	2,185
On other loans wholly repayable in more than five years	-	146
On Corporation Tax	44	-
Less finance costs capitalised	(479)	-
	2,135	2,331
<i>Other Finance charges:</i>		
Expected return on pension scheme assets	(7,060)	(6,060)
Interest on pension scheme liabilities	7,080	6,090
	20	30
Total interest payable and similar charges	2,155	2,361

Notes to the accounts (continued)

11 Taxation

Analysis of charge in period	2006/07 £000	2006/07 £000	2005/06 £000	2005/06 £000
<i>UK corporation tax</i>				
Current tax on income for the period	17		9	
Adjustments in respect of prior periods	372		10	
	<hr/>		<hr/>	
Total current tax		389		19
<i>Deferred tax</i>				
Origination/reversal of timing differences	(358)		-	
Adjustment in respect of previous years	(83)		-	
Total deferred tax		(441)		-
		<hr/>	<hr/>	
Tax (credit)/charge for the year		(52)		19
		<hr/>	<hr/>	

The adjustments in respect of prior periods relate to investigations into subsidiary tax returns for the years ended 2005 and 2006. These amounts were paid to HMR&C during 2006/07.

The deferred tax asset (note 17) has arisen primarily due to losses incurred in a subsidiary company. These losses are available to relieve future profits of the subsidiary companies.

12 Deficit on continuing operations for the year

The deficit on continuing operations for the year is made up as follows:	2006/07 £000	2005/06 £000
University's deficit for the year	(3,835)	(4,951)
Surpluses generated by subsidiary undertakings and payable to the University under the Gift Aid Regulations	555	1,081
Surpluses generated by subsidiary undertakings but retained within subsidiaries	349	-
Losses incurred by subsidiary undertakings	(843)	(1,569)
	<hr/>	<hr/>
Deficit on continuing operations for the year	(3,774)	(5,439)
	<hr/>	<hr/>

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 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
Additions (cost)	31,218	461	-	5,801	37,480
Transfers (cost)	(42,376)	42,214	-	162	-
Disposals (cost)	-	(512)	-	(875)	(1,387)
Disposals (valuation)	-	(665)	-	-	(665)
At 31 July 2007					
Valuation	-	55,499	-	-	55,499
Cost	9,579	151,137	2,409	20,455	183,580
Total	9,579	206,636	2,409	20,455	239,079
Depreciation					
At 1 August 2006	-	33,480	555	9,222	43,257
Charge for year	-	4,139	44	1,634	5,817
Eliminated in respect of disposals	-	(665)	-	(683)	(1,348)
At 31 July 2007	-	36,954	599	10,173	47,726
Net book value					
At 31 July 2007	9,579	169,682	1,810	10,282	191,353
At 1 August 2006	20,737	131,658	1,854	6,145	160,394
Inherited	-	32,517	-	-	32,517
Financed by capital grant	-	45,136	-	8,985	54,121
Other	9,579	92,029	1,810	1,297	104,715
Net book value at 31 July 2007	9,579	169,682	1,810	10,282	191,353

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. Included in the cost of tangible fixed assets is £479,000 (2006: Nil) in respect of capitalised finance costs, this represents an average interest rate of 5.32%.

The depreciation charge has been funded by:	2006/07 £000	2005/06 £000
Revaluation reserve release	1,012	929
Deferred capital grant	1,199	827
General income	3,606	3,931
	5,817	5,687

Notes to the accounts (continued)

13 Tangible fixed assets (University)

	Land and buildings				Total £000
	Assets in course of construction £000	Freehold £000	Long leasehold £000	Equipment £000	
Cost or valuation					
At 1 August 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
Additions (cost)	31,218	6,588	-	6,128	43,934
Transfers (cost)	(42,376)	42,214	-	162	-
Disposals (cost)	-	(121)	-	(876)	(997)
Disposals (valuation)	-	(665)	-	-	(665)
At 31 July 2007					
Valuation	-	55,499	-	-	55,499
Cost	9,579	151,022	2,409	19,653	182,663
Total	9,579	206,521	2,409	19,653	238,162
Depreciation					
At 1 August 2006	-	33,166	555	8,683	42,404
Charge for year	-	3,996	44	1,564	5,604
Eliminated in respect of disposals	-	(268)	-	(683)	(951)
At 31 July 2007	-	36,894	599	9,564	47,057
Net book value					
At 31 July 2007	9,579	169,627	1,810	10,089	191,105
At 1 August 2006	20,737	125,339	1,854	5,556	153,486
Inherited	-	32,517	-	-	32,517
Financed by capital grant	-	45,136	-	8,985	54,121
Other	9,579	91,974	1,810	1,104	104,467
Net book value at 31 July 2007	9,579	169,627	1,810	10,089	191,105

Included in the cost of tangible fixed assets is £479,000 (2006: Nil) in respect of capitalised finance costs, this represents an average interest rate of 5.32%.

14 Investments

	Consolidated 2007 £000	University 2007 £000	Consolidated 2006 £000	University 2006 £000
Shares in subsidiary companies	-	1	-	1
Other investments other than loans	56	37	54	37
Total	56	38	54	38

Notes to the accounts (continued)

14 Investments (continued)

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 and car parking facilities on the two campuses of the University of Plymouth. During the year the library scheme was unwound and the library operations were transferred into the University. The library building was transferred at net book value and the proceeds were offset against the intercompany loan. The loan was on commercial terms and capital and interest payments were made quarterly over the loan term of 20 years until repayment on 31st July 2007. The results of UPTC limited have been consolidated into the University of Plymouth's group financial statements.

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. The results of University of Plymouth Enterprise Limited have been consolidated into the University of Plymouth's group financial statements.

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 2008. The results of PEP (Research and Consultancy) Limited have been consolidated into the University of Plymouth's group financial statements.

The University owns 100% of the issued share capital of 1,000 £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 results of Plymouth Healthcare Education Limited have been consolidated into the University of Plymouth's group financial statements.

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 results of PMS (Facilities) Plymouth Limited have been consolidated into the University of Plymouth's group financial statements.

University of Plymouth Enterprise Limited owns 100% of the issued share capital of the Centre of Leadership and Organisational Excellence (CLOE) Limited, a company limited by shares and registered in England and Wales. The company was set up to develop intellectual property owned by an external party, to provide practical and sustainable business solutions and to improve the commercial performance and capability of internal partners and external customers. It is intended that the company will be spun out in the future. The company has not been consolidated into these financial statements as it has not traded since incorporation.

University of Plymouth Enterprise Limited owns 27% of the issued share capital of Moustraining Limited, a company limited by shares and registered in England and Wales. The company was set up to offer distance learning IT courses. The company has not been consolidated into these financial statements, since its results are not material to the University.

The University is a member of 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 31 March 2007. The University has provided in full for the cost of the investment of £200,000.

The University is a member of Marinetech 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 2006 and they have not been consolidated within these statements as the University has no significant influence over the Company.

Notes to the accounts (continued)

14 Investments (continued)

The University is a member of South West England Regional Network Limited, 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 2006.

The University is a member of James Square (Plymouth) Limited, a company limited by guarantee and incorporated in England and Wales to secure the lease of the Rolle Building on completion. The University's liability is limited to £1. The University nominates two of the four directors. The company has not been consolidated into these financial statements, since it has not traded and its results are therefore not material to the University.

The University is a member of Cornwall MediPark Limited, a company limited by guarantee, incorporated in England and Wales and contracted to secure development of incubation and science park activities. The company was set up with the Royal Cornwall Hospitals Trust and the University's liability is limited to £1. Both parties nominate two of the directors. The company has not been consolidated into these financial statements, since the activities of Cornwall MediPark Limited are not material to the University. The company has published its accounts for the year to 31 March 2006.

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 2006. This company was dissolved on 26 June 2007.

The University has set up a joint collaboration with the University of Exeter to help prioritise and manage innovation, to allocate resources and establish best practises to create pioneering new products and services that will benefit healthcare. Peninsula BioVentures was established by the Peninsula College of Medicine and Dentistry and aims to exploit the considerable commercial opportunities in biomedical research and clinical expertise which exist within the science base of its partners.

The University is a member of Mountbatten Sailing and Water Sports Centre Limited, a company limited by guarantee, incorporated in England and Wales and set up to increase participation in sporting activity through the development of a centre of excellence for the encouragement of and enjoyment and competition in, sailing, water sports and related activities. 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 31 October 2006.

15 Endowment asset investments

	Consolidated and University	
	2006/07	2005/06
	£000	£000
Balance at 1 August 2006, represented by cash	28	28
Amount transferred to the PMS Foundation Roland Levinsky Memorial Fund	(28) 36	- -
Balance at 31 July 2007, represented by cash	36	28

Notes to the accounts (continued)

16 Stock

	Consolidated 2007 £000	University 2007 £000	Consolidated 2006 £000	University 2006 £000
Media stocks	42	42	48	23
Merchandise stocks	5	5	5	5
Farm stocks	66	66	49	49
Catering stocks	19	19	22	22
Maintenance stocks	10	10	11	11
Work in Progress (commercial projects)	103	-	1	-
Total	<u>245</u>	<u>142</u>	<u>136</u>	<u>110</u>

17 Debtors

	Consolidated 2007 £000	University 2007 £000	Consolidated 2006 £000	University 2006 £000
Amounts falling due within one year:				
Trade debtors	11,153	4,790	7,044	4,571
Amounts owed by group undertakings: subsidiary undertakings	-	7,905	-	6,423
Other debtors	304	121	4,393	4,256
Deferred tax assets	441	-	-	-
Prepayments and accrued income	12,473	11,351	7,594	8,095
Total	<u>24,371</u>	<u>24,167</u>	<u>19,031</u>	<u>23,345</u>
Amounts falling due after more than one year:				
Other debtors	6,731	6,731	6,606	13,141
Prepayments and accrued income	2,488	-	2,966	-
Total	<u>9,219</u>	<u>6,731</u>	<u>9,572</u>	<u>13,141</u>
Total debtors	<u>33,590</u>	<u>30,898</u>	<u>28,603</u>	<u>36,486</u>

The elements of deferred taxation are as follows:

	Consolidated £000	University £000
Difference between accumulated depreciation and capital allowances	65	-
Tax losses	376	-
Total	<u>441</u>	<u>-</u>

Notes to the accounts (continued)

18 Creditors: amounts falling due within one year

	Consolidated 2007 £000	University 2007 £000	Consolidated 2006 £000	University 2006 £000
Bank loans (see note 20)	3,749	3,749	1,742	1,742
Bank overdrafts	907	546	1,711	1,711
Trade creditors	2,833	2,486	2,396	2,170
Amounts owed to subsidiary undertakings	-	346	-	-
Other creditors including taxation and social security	6,782	5,982	5,731	5,305
Accruals	8,952	7,444	11,171	9,817
Deferred income	17,830	15,992	14,204	14,706
Total	<u>41,053</u>	<u>36,545</u>	<u>36,955</u>	<u>35,451</u>

19 Creditors: amounts falling due after more than one year

	Consolidated 2007 £000	University 2007 £000	Consolidated 2006 £000	University 2006 £000
Secured Loans*	58,769	58,769	37,984	37,984
Unsecured loans **	-	-	1,175	1,175
Deferred income	10,786	10,786	11,175	11,175
Total	<u>69,555</u>	<u>69,555</u>	<u>50,334</u>	<u>50,334</u>

* There are three secured loans, all repayable by instalments.

Loan 1 is payable until 2018, the current rate of interest is 6.04%. The freehold property held as security is the Robbins Complex. The net book value of the property is £11,569,028 (2005/06 £11,881,705).

Loan 2 is payable until 2036, the current rate of interest is 5.95%. The freehold property held as security is The Roland Levinsky Building. The net book value of the property is £35,047,979 (2005/06 £14,584,910 held in Work in Progress).

Loan 3 is payable until 2037, the current rate of interest is 5.94%. The freehold property held as security is the Portland Square development. The net book value of the property is £29,032,632. (2005/06 £29,663,776)

** The remaining balance on unsecured loans is £1,175,000. This is to be repaid during 2007/08 and is shown within creditors falling due within one year.

Notes to the accounts (continued)

20 Borrowings

Bank loans and other loans

	Consolidated and University	
	2006/07 £000	2005/06 £000
Bank loans and other loans are repayable as follows:		
in one year or less	3,749	1,742
between one and two years	891	1,793
between two and five years	3,829	5,770
in five years or more	54,049	31,596
Total	<u>62,518</u>	<u>40,901</u>

21 Provisions for liabilities

	Consolidated and University	
	2006/07 £000	2005/06 £000
Enhanced pension provisions		
At 1 August	4,893	4,713
Expenditure in the year	(447)	(335)
Charged in income and expenditure account	<u>657</u>	<u>515</u>
At 31 July	<u>5,103</u>	<u>4,893</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 2005/06 £000
	Buildings 2006/07 £000	Equipment 2006/07 £000	Total 2006/07 £000	
At 1 August	35,976	5,710	41,686	24,270
Cash receivable	10,002	4,873	14,875	18,303
Transfer of capital grants	(108)	(1,133)	(1,241)	(60)
Release to income and expenditure account	<u>(734)</u>	<u>(465)</u>	<u>(1,199)</u>	<u>(827)</u>
At 31 July	<u>45,136</u>	<u>8,985</u>	<u>54,121</u>	<u>41,686</u>

Notes to the accounts (continued)

23 Endowments (specific)

	Consolidated and University	
	2006/07 £000	2005/06 £000
At 1 August 2006	28	28
Amount transferred to the PMS Foundation	(28)	-
New endowment	36	-
	<hr/>	<hr/>
At 31 July 2007	<u>36</u>	<u>28</u>

24 Revaluation reserve

	Consolidated and University	
	2006/07 £000	2005/06 £000
At 1 August	39,057	36,204
Contributions in year from Funding Council	-	3,845
Transfer from revaluation reserve to general reserve in respect of:		
- Disposal, demolition and impairment of assets	(374)	(63)
- Depreciation on revalued assets	(1,012)	(929)
	<hr/>	<hr/>
At 31 July	<u>37,671</u>	<u>39,057</u>

25 Movement on general reserves

Income and expenditure account reserve

	Consolidated	University
	2006/07 £000	2006/07 £000
At beginning of year	1,501	3,243
Deficit on continuing operations before transfer from revaluation reserve	(3,774)	(4,539)
Transfer from revaluation reserve in respect of:		
- Disposals, demolitions and impairments	374	374
- Depreciation	1,012	1,013
Actuarial gain on pension scheme assets and liabilities	11,500	11,500
	<hr/>	<hr/>
Balance at 31 July	<u>10,613</u>	<u>11,591</u>

Notes to the accounts (continued)

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

	2006/07	2005/06
	£000	£000
Deficit on continuing operations after depreciation of assets		
At valuation and after taxation	(3,774)	(5,439)
Taxation	(52)	19
Depreciation	5,817	5,687
Deferred capital grants released to income	(1,199)	(827)
(Profit)/loss on disposal of tangible fixed assets	(697)	607
Interest payable (note 10)	2,155	2,361
Decrease in stocks	(109)	130
Increase in debtors	(3,006)	(4,679)
Increase in creditors	5,264	3,238
Increase/(decrease) in provisions	210	180
FRS 17 pension adjustment	920	1,500
Interest receivable (note 5)	(1,000)	(759)
HEFCE contribution in year to loan repayments	-	3,845
	<hr/>	<hr/>
Net cash inflow from operating activities	4,529	5,863
	<hr/>	<hr/>

27 Returns on investments and servicing of finance

	2006/07	2005/06
	£000	£000
Income from endowments	36	-
Other interest received	1,000	759
Interest paid	(2,155)	(2,446)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(1,119)	(1,687)
	<hr/>	<hr/>

28 Taxation

	2006/07	2005/06
	£000	£000
Taxation paid	(379)	(19)
	<hr/>	<hr/>
Net cash outflow from taxation	(379)	(19)
	<hr/>	<hr/>

Notes to the accounts (continued)

29 Capital expenditure and financial investment

	2006/07 £000	2005/06 £000
Purchase of tangible fixed assets	(41,037)	(17,480)
Purchase of investment	(2)	-
Sale of tangible fixed assets	1,401	20
Deferred capital grants received	12,883	19,709
Endowments paid out	(28)	-
	<hr/>	<hr/>
Net cash (outflow)/ inflow from capital expenditure and financial investment	(26,783)	2,249
	<hr/>	<hr/>

30 Financing

	2006/07 £000	2005/06 £000
New secured loan	52,677	-
Repayment of amounts borrowed	(31,060)	(5,399)
	<hr/>	<hr/>
Net cash inflow from financing	21,617	(5,399)
	<hr/>	<hr/>

31 Analysis of changes in net funds

	At 1 August 2006 £000	Cashflows £000	Other changes £000	At 31 July 2007 £000
Cash in hand, and at bank	3,226	1,862	-	5,088
Endowment asset investments (note 15)	28	8	-	36
Overdrafts	(1,711)	804	-	(907)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,543	2,674	-	4,217
Debt due within one year	(1,742)	1,742	(3,749)	(3,749)
Debt due after one year	(39,159)	(23,359)	3,749	(58,769)
Management of liquid resources	12,923	(4,809)	-	8,114
	<hr/>	<hr/>	<hr/>	<hr/>
Net debt	(26,435)	(23,752)	-	(50,187)
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the accounts (continued)

32 Commitments

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

	Consolidated and University	
	2007 £000	2006 £000
Commitments contracted at 31 July	9,435	19,936
Authorised but not contracted at 31 July	10,066	941
Total	19,501	20,877

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

	Consolidated and University			
	2007		2006	
	£000	£000	£000	£000
	Land and Buildings	Other	Land and Buildings	Other
Operating leases which expire:				
Within one year	315	727	-	998
In the second to fifth years inclusive	223	360	334	783
Over five years	98	-	58	-
Total	636	1,087	392	1,781

The current lease contract for desktop computers terminates in November 2007. A new contract has been negotiated, which will operate in several phases, the first of which commenced in May 2007. The remaining segments of the four year contract are due to be signed in November 2007, and it is anticipated that the annual cost of this will be £1.06m per year.

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 (2005/06: £150,000).

The University has also provided a guarantee to HSBC plc for an overdraft for UPTC Limited of £50,000 (2005/06: £50,000) and also for Plymouth Healthcare Education Limited (PHEL) for £100,000 (2005/06: £50,000).

34 Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (being primarily 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% owned subsidiaries not to disclose intra-group transactions.

Notes to the accounts (continued)

34 Related party transactions (continued)

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 interest	Detail	Income	Expenditure	Amount due to / (from)
			£000	£000	£000
Tamar Science Park	Associate	Rental payments and consumables	1	32	4
Moustraining Limited	Associate	HEFCE teaching grant payments	0	398	0
Plymouth Chamber of Commerce	Governor	Short course fees, advertising and staff development	0	14	6
Plymouth Pavilions Ltd	Governor	Ticket purchase and arena hire	0	110	0
Truro College	Governor	HEFCE teaching grant payments and exam fee income	74	0	7
South West Regional Development Agency	Governor	Research grant and contract income including funding for Wave buoy	413	0	18
AF Trust	Senior Manager	Rental income and expenditure	16	19	(19)
Medical Schools Council	Senior Manager	Subscriptions	0	7	0
Plymouth City Company Ltd	Senior Manager	Contribution towards exhibition	0	6	0
Positive Action Southwest	Senior Manager	Consultancy fees	0	24	2
South West Film & Television Archive	Senior Manager	Use of film footage	0	15	0
Torbay Council	Senior Manager	Consultancy fees, schools and partner payments	32	43	(3)

Further to the disclosures made above, Two Senior Managers are Trustees of James Square (Plymouth) Limited. The University has entered into an agreement, whereby it leases the Rolle Building on completion.

One of the Board of Governors is Chair of Governors at Truro College, a partner college of the University of Plymouth. HEFCE recurrent teaching grant and other specific funding totalling £2.99m was paid to Truro College during the year.

One of the Board of Governors is Chair of the Universities Superannuation Scheme. Details of the payments made into this scheme by the University can be found in note 36.

Two of the members of the Board of Governors are members of Committees of the Learning and Skills Council (LSC). The University administers funds, on behalf of HEFCE, to its partner colleges. The LSC is responsible for planning and funding education and training for everyone in England other than those in universities.

One of the Board of Governors is a member of the Objective 2 Monitoring Committee. The University of Plymouth received £5.5m of Objective 2 funding towards the construction of the Roland Levinsky Building.

One of the Board of Governors is a member of the Objective 1 Core Partnership. The Combined Universities in Cornwall (CUC) is a recipient of Objective 1 funding. The University of Plymouth is a member of The CUC, which is a Higher Education partnership initiative.

In addition to the disclosure made above, the South West Regional Development Agency contributed £1.3m towards the construction of the Roland Levinsky Building.

Notes to the accounts (continued)

35 Access funds

	2006/07 £000	2005/06 £000
Funding council grants	1,515	1,741
Disbursed to students	(1,515)	(1,741)
	<hr/>	<hr/>
Balance unspent as at 31 July	-	-
	<hr/>	<hr/>

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 2007. 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.

The major assumptions used in this valuation were:

	31 July 2007 %pa	31 July 2006 %pa	31 July 2005 %pa	31 July 2004 %pa
Discount rate	5.7	5.1	5.0	5.7
Rate of increase in salaries	4.8	4.6	4.2	4.4
Rate of increase in pensions in payment	3.3	3.1	2.7	2.9
Rate of increase in deferred pensions	3.3	3.1	2.7	2.9
Rate of inflation	3.3	3.1	2.7	2.9
Long term expected rates of return on:				
Equities	7.9	7.4	7.4	8.0
Bonds	4.9	4.7	4.7	5.2
Property	6.9	6.4	6.4	7.0
Other assets	6.0	4.7	4.7	4.8
Average long term expected rate of return	7.2	6.6	6.6	7.1

Notes to the accounts (continued)

36 Pensions (continued)

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. Further life expectancy improvements have been identified in pension scheme specific research carried out by the UK actuarial profession and the consensus is that recent high levels of mortality improvement are likely to persist for longer than had been expected. In particular the following improvements in mortality have been used:

- Improvements to 2007 in line with the medium cohort projections
- Future improvements to 2017 for pensioners and 2027 for non-pensioners in line with medium cohort projections and further subject to a minimum improvement of 1% per annum for males and 0.5% per annum for females over these periods.

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 2007		31 July 2006		31 July 2005		31 July 2004	
	£m	%	£m	%	£m	%	£m	%
Equities	83.94	68	70.43	67	59.88	67	34.40	65
Bonds	12.34	10	16.82	16	14.30	16	9.53	18
Property	17.28	14	11.56	11	8.04	9	5.29	10
Other	9.88	8	6.31	6	7.15	8	3.71	7
Total	123.44	100	105.12	100	89.37	100	52.93	100

	31 July 2007	31 July 2006	31 July 2005	31 July 2004
	£m	£m	£m	£m
Share of assets in the Fund	123.44	105.12	89.37	52.93
Estimated funded liabilities	(143.77)	(136.03)	(119.03)	(72.55)
Estimated unfunded liabilities	–	–	–	–
University of Plymouth's deficit in the Fund	(20.33)	(30.91)	(29.66)	(19.62)

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

Movement in net deficit during the year

	2006/07	2005/06	2004/05	2003/04
	£m	£m	£m	£m
Net deficit at beginning of year	(30.91)	(29.66)	(19.62)	(19.58)
Current service cost	(5.03)	(5.14)	(4.23)	(3.16)
Contributions paid (deduced)	4.13	3.67	2.80	2.07
Other finance income	(0.02)	(0.03)	(0.37)	(0.57)
Actuarial gain/(loss)	11.50	0.25	(8.24)	1.62
Net deficit at end of year	(20.33)	(30.91)	(29.66)	(19.62)

Notes to the accounts (continued)

36 Pensions (continued)

Analysis of other pension costs charged in arriving at operating loss

	2006/07	2005/06
	£m	£m
Current service cost	(5.03)	(5.14)
Analysis of amounts included in other finance income		
Expected return on pension fund assets	7.06	6.06
Interest on pension scheme liabilities	(7.08)	(6.09)
Net (charge)/credit to other finance income	<u>(0.02)</u>	<u>(0.03)</u>

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

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

	06/07	06/07	05/06	05/06	04/05	04/05	03/04	03/04	02/03	02/03
	£m	%	£m	%	£m	%	£m	%	£m	%
Actual return less expected return on assets	6.41	5.20	5.53	5.30	11.41	12.80	1.53	2.90	(0.03)	0.10
Experience gains and losses on pension liabilities	(0.20)	(0.10)	(0.19)	(0.10)	(5.62)	4.70	(0.02)	0.00	0.08	0.10
Changes in assumptions underlying the present value of pension liabilities	5.29	3.70	(5.09)	(3.70)	(14.03)	11.85	0.11	0.20	(9.61)	14.70
Total	<u>11.50</u>	<u>8.80</u>	0.25	1.50	(8.24)	29.35	1.62	3.10	(9.56)	14.90

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.

Notes to the accounts (continued)

36 Pensions (continued)

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. 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, and the assumed rates of mortality. 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 and further liabilities to reflect 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.

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; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

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 £395,548 (2005/06: £254,626). 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.

The pension cost is assessed every five years in accordance with the advice of the government actuary.

Notes to the accounts (continued)**36 Pensions (continued)**

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

	31 March 2006
Latest actuarial valuations	
Actuarial method	Prospective benefits
Investment returns per annum	6.5%
Salary scale increases per annum	5.0%
Market value of assets at date of last valuation	£163,240m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98%

For the period from 1 April 2003 to 31 December 2006 the employer contribution rate was 13.5%. The rate increased to 14.1% from 1 January 2007.

The pensions charge recorded by the University during the accounting period was equal to the contributions payable £4,707,731 (2005/06: £4,308,647).

National Health Service Pension Scheme (NHS)

The pensions charge recorded by the University during the accounting period was equal to the contributions payable £252,641 (2005/06: £256,973). The contribution rate payable by the institution was 14% of pensionable salaries (2005/06: 14%).

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 2007**

INCOME	Explanatory Notes	University of Exeter	University of Plymouth	Total	Total
		2006/07 £000	2006/07 £000	2006/07 £000	2005/06 £000
Funding Council grants	3	5,093	5,093	10,186	7,008
Tuition fees and education contracts		1,017	1,018	2,035	1,158
University research support		45	45	90	123
NHS funding	4	2,272	2,272	4,544	4,764
Research grants and contracts		2,665	2,664	5,329	4,714
Other income	5	1,281	1,281	2,562	2,838
Endowment and investment income		246	246	492	328
Total income		12,619	12,619	25,238	20,933
EXPENDITURE					
Staff costs		7,278	7,279	14,557	12,237
Other operating expenses		4,941	4,940	9,881	7,862
Depreciation	6	128	127	255	245
Total expenditure		12,347	12,346	24,693	20,344
Surplus on continuing operations		272	273	545	589

BALANCE SHEET of the HE Community Chest as at 31 July 2007

	Explanatory Notes	2006/07 £000	2005/06 £000
Fixed assets			
Tangible assets	6	583	632
Current assets			
Debtors	7	5,162	5,862
Cash at bank and in hand	8	9,833	6,730
		14,995	12,592
Creditors: amounts falling due within one year	9	(11,432)	(9,579)
Net current assets		3,563	3,013
Total assets less current liabilities		4,146	3,645
TOTAL NET ASSETS		4,146	3,645
Deferred capital grants		583	627
Reserves	10	3,563	3,018
TOTAL		4,146	3,645

Notes to the accounts (continued)

Explanatory Notes1. Background

The Peninsula College of Medicine and Dentistry (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 NHS Foundation 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 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 2007.

3. Funding Council grants

	2006/07	2005/06
	£000	£000
Recurrent grant	9,504	6,418
Specific grants		
Other	493	401
Deferred capital grants released in the year		
Equipment	189	189
	10,186	7,008

4. NHS funding

	2006/07	2005/06
	£000	£000
Service Increment for Teaching (SIFT) funding	4,544	4,764

5. Other Income

	2006/07	2005/06
	£000	£000
Other grant income	686	1,050
Other income	1,876	1,788
	2,562	2,838

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 items are for telematics.

Notes to the accounts (continued)7. Debtors

	2006/07	2005/06
	£000	£000
Debtors	1,369	1,185
Prepayments and accrued income	3,793	1,936
Due from NHS partners	-	2,741
	5,162	5,862

8. Cash at bank and in hand

	2006/07	2005/06
	£000	£000
Held by:		
University of Exeter	8,182	5,403
University of Plymouth	1,650	1,256
University of Plymouth Peninsula College of Medicine and Dentistry	1	71
	9,833	6,730

These balances are held under the agreed management arrangements. The University of Plymouth PCMD 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

	2006/07	2005/06
	£000	£000
Bank overdraft	5	-
Trade creditors	35	72
Other creditors	85	21
Due to partner universities	2,145	1,314
Deferred income:		
HEFCE recurrent teaching grant	3,659	3,354
NHS Capital funding received in advance	124	265
SIFT income received in advanced	834	146
Accruals and other deferred income	4,545	4,407
	11,432	9,579

10. Reserves

	2006/07	2005/06
	£000	£000
Opening balance	3,018	2,429
Surplus for the year	545	589
Closing balance	3,563	3,018

11. Expenditure within the NHS

During the year ended 31 July 2007 £13.6m of expenditure was incurred within the NHS (2006: £14.2m).