UNIVERSITY OF PLYMOUTH

HIGHER EDUCATION CORPORATION

Financial Statements

For the Year to

31 July 2008

Contents

Advisors to the University of Plymouth

Registered Auditors	PricewaterhouseCoopers LLP Princess Court 23 Princess Street Plymouth PL1 2EX
Bankers	HSBC Bank plc 4 Old Town Street Plymouth Devon PL1 1DD
Solicitors	Wolferstans Deptford Chambers 60/64 North Hill Plymouth PL4 8EP
	Pinsent Masons 3 Colmore Circus Birmingham B4 6BH
	Martineau Johnson 1 Colmore Circus Birmingham B4 6AA
VAT Advisors	ECA VAT Advisors Limited T/a Ellis Chapman & Associates Caledonian House Tatton Street Knutsford Cheshire WA16 6AG
Corporation Tax Advisors	PricewaterhouseCoopers LLP Princess Court 23 Princess Street Plymouth PL1 2EX

Advisors to the University of Plymouth (continued)

Board of Governors

External	Mrs Sharon Arney	term to 31.07.2008
	Mr Ken Beecham	term to 31.07.2008
	Mrs Barbara Bond (Chair)	
	Mr Nick Buckland (Vice Chair)	
	Mr Duncan Currall	
	Mrs Helen Davies	
	Professor Sir Martin Harris	
	Mr Tim Jones	term to 31.07.2008
	Mr Mike Leece OBE	
	Mrs Melody Mason	term to 31.07.2008
	Dr Noel Olsen	
	Dr Steve Pearce	appointed 01.08.2008
	Mr Michael Pearson	
	Mr Stephen Pryor	
	Ms Maggie van Reenen	appointed 01.08.2008
	Mr Geoff Rees CBE	
	Ms Judith Reynolds	appointed 01.08.2008
	Dr Ranulf Scarborough	appointed 01.08.2008
	Mr Alan Strowger	term to 31.07.2008
	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 David Fallows	
Student Member	Mr Alex Harris	term to 31.07.2008
	Mr Darren Jones	appointed 01.08.2008
Vice-Chancellor	Professor Steve Newstead	term to 30.11.2007
	Professor Wendy Purcell	appointed 01.12.2007

Operating and Financial Review for the year ended 31 July 2008

Introduction

Professor Wendy Purcell became the Vice Chancellor and Chief Executive of the university in December 2007 following the death of Professor Roland Levinsky in January 2007. She had already indicated that she intended to build on the university's existing strengths and has ambitions to create a first-class and first choice university that embraces excellence across its portfolio of academic activities.

The university has embarked on a new mission, to mark out the university as '*the* enterprise university' and is in the process of implementing a strategic review to ensure all its activities fit against this mission and sustain the university moving forward.

Mission and vision

The University of Plymouth has a national reputation for excellence in teaching and learning; we aim to build on this excellence, transforming our students' lives through knowledge.

The University of Plymouth has both international and national reputations in the research areas of marine and coastal, environmental, sustainability, creative and cultural economies, health and biomedicine, and pedagogic research.

We aspire to be *the* enterprise university bringing creativity and innovation into the core of our activity. In partnership with business and the public sector, we will play a distinctive role in the development, application and exchange of knowledge in the city, the region and beyond. We will apply these same values of initiative, imagination and resourcefulness to teaching and learning.

We aim to carry out research in key areas that is world-leading in terms of originality, significance and rigour in key areas, whilst playing a pivotal role in innovation, knowledge exchange and enterprise in the South West region and beyond.

We value the application of knowledge in a diverse global community and we understand the importance of the sustainability agenda in maintaining the global environment. We will encourage students and staff in developing the cross-cultural ethos and sustainability skills needed by global citizens in the 21st century.

Strategic Review

As part of the university's academic and financial planning process, a comprehensive review of activities began in the spring of 2008. The review aims to ensure that innovation and creativity permeate all the university's endeavours (teaching, research and employer engagement) to deliver to its students a first-class firstchoice experience and offer real economic, social and cultural benefits for the region and beyond. At the same time the university has recognised the need to ensure it has a robust financial strategy delivering operating surpluses which can be used for re-investment. In order to achieve this, the university has taken the decision to reduce its core expenditure by £10m over the next twelve months.

The university has plans to withdraw from some areas that have limited scope to contribute to its strategic development plans and to reduce its academic offer in other areas in line with market developments. This will require the university to refocus its portfolio to enable it to invest strategically in those areas that deliver on the mission and enhance its reputation nationally and internationally. Key areas identified for investment include but are not limited to: the creative economies, marine, health, biomedical sciences, enterprise and business, sustainability and education.

Strategic partnerships

The year 2008 has seen a number of successful partnerships come to fruition. In September 2007, the university opened the country's first new dental school for over 30 years. This is sited with the Peninsula Medical School and has been delivered in partnership with Exeter University and the NHS in Devon and Cornwall.

In June 2008 the university entered into 10 year collaboration with the Britannia Royal Naval College (BRNC) for the delivery and accreditation of academic aspects of the college's officer training programmes. Academic staff at BRNC will continue to be based at Dartmouth, but as university employees will have full access to a broad range of university services, facilities and research opportunities. Royal Naval and Royal Marine trainees based at the college will be able to complete their BSc in Marine Studies at Dartmouth.

Operating and Financial Review for the year ended 31 July 2008 (continued)

Strategic partnerships (continued)

The Cornwall Institute for Enterprise (CIE) is a planned joint venture between the University of Plymouth and our University of Plymouth Colleges partner, Cornwall College. It will potentially be a regional hub of the recently announced National Enterprise Academy and it proposes a unique and pioneering economic model, co-locating schools with further and higher education and businesses. Enterprise, innovation and entrepreneurship training and education will be embedded within the educational curriculum, from school through to university. The partner educational institutions, business leaders and other business support providers will also support–business start-ups and offer bespoke research, leadership and management development to existing small and medium sized businesses.

The university offers world-class teaching and research in a wide spectrum of marine subjects brought together under the banner of the Marine Institute. A current project involves working with the South West Regional Development Agency and Exeter University to research the viability and impact of the £28m wave energy project off the coast of Cornwall. Another example is the Plymouth Marine Sciences Partnership involving the Institute and a range of regional stakeholders such as the National Marine Aquarium. This partnership conducts research of international standing, increasing knowledge and providing practical solutions that impact on the marine and coastal environment. The partnership is currently making a strong case to government to locate the proposed UK Marine Management Organisation in Plymouth.

Leadership

The university is in a unique position to secure and sustain a leading position within the HE sector. Our team of outstanding leaders are key to delivering the university's mission and providing the university community and its stakeholders with the kind of university they deserve. Working as project champions, unlocking the capabilities and passions of the university team in academic and professional areas, the leadership team will lead the university in partnership. The university is looking to achieve change through people – people working in new ways individually, together and across teams. This means ensuring that our Human Resources strategy enables us to secure, retain and reward staff for delivering across the university's agenda whether that is through excellence in library services, enterprise, research, innovation in teaching, student services and so on. There is a huge commitment and energy across the university. The university is working towards placing Plymouth on the global map as a distinctive and great university.

Sustainability

The university aims to become an exemplar in sustainability, social responsibility and responsible business practice, engaging with our wider community and continually monitoring, improving and sharing our achievements.

With the support of its Centre for Sustainable Futures and through its membership of Business in the Community, the university has reviewed its performance against the Corporate Responsibility Index and issued a development plan and identified key policies to enhance its performance still further. These policies support a range of initiatives which demonstrate its commitment to a sustainable future. These include the conservation of natural resources used by the university, minimising the adverse environmental effects of travelling and ethical and sustainable procurement.

The university's green credentials have been recognised by the People and Planet's Green League Table for two consecutive years in which Plymouth is a top performing university in terms of the environment and sustainability.

Principal risks

The university has identified that one of the most significant risks to its financial sustainability is its reliance on HEFCE funding. The level of HEFCE funding as a percentage of total income has fallen to 46% in 2008 (2007: 48%) which reflects the work that has already started to diversify income streams from research, continuing professional development and enterprise.

The university is also heavily reliant on home students and whilst student recruitment in this market remains buoyant, the university is embarking on an internationalisation project, one of the aims of which is increasing the low number of overseas students through international partnerships and an extension of the range of suitable programmes for this group.

Operating and Financial Review for the year ended 31 July 2008 (continued)

Principal risks (continued)

The university is renowned for the success of its partnership arrangements with colleges in the south west but the emphasis on increased provision of higher education in these colleges does present a risk for the university in meeting its student numbers. The university has supported the increase in foundation degree programmes in its partner colleges and is now working with them to ensure the future sustainability of all parties.

Staff costs have increased by 9.5% in 2007/08 reflecting the nationally agreed pay award and the impact of increments through the pay structure. The university is taking steps to reduce its operating expenditure through the Strategic Review but any further increases in pension or pay costs will have to managed carefully in the context of the university’s corporate plan.

The recent economic downturn has necessitated a review of the programme of property disposals. Significant cash receipts were expected in 2007/08 and 2008/09 and these are not expected to materialize. The timing and value of disposals is now under review. Cash flow and budgetary management will be critical over the next twelve months but the university is confident that it should have sufficient cash to meet its operating needs during this period.

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.

Results for the year

The university's consolidated results for the year to 31 July 2008 are summarised as follows:-

	2007/08 £000	2006/07 £000
Income	180,943	161,457
Expenditure	(180,257)	(165,980)
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation but before disposals of assets and taxation	686	(4,523)
Taxation	(253)	52
Exceptional item: Surplus on disposal of fixed assets	1,402	697
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	1,098	1,386
Historical cost surplus/(deficit) for the year after taxation	2,933	(2,388)

Overview

The university has had another challenging year, however, the recent focus on cost reduction has begun to bear fruit. This year the university recorded an operating surplus of £0.69m and a historical cost surplus of £2.9m. 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.

Performance indicator	2007/08	2006/07	2005/06
Surplus/(deficit) for the year as a % of income (before surplus on disposal of fixed assets)	0.24%	(2.76%)	(3.19%)

Operating and Financial Review for the year ended 31 July 2008 (continued)

Results for the year (continued)

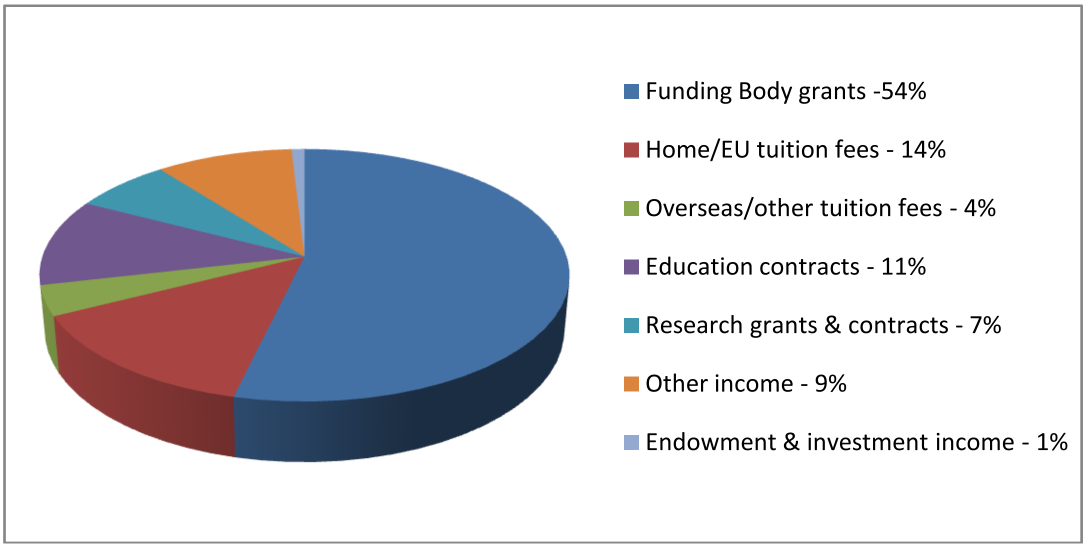
Infrastructure

As a result of the investment in its estate the university is now able to offer new and upgraded teaching facilities and infrastructure with most of the work being associated with the relocations of the faculties of Arts and Education. The Roland Levinsky building is home to the Faculty of Arts, which relocated from Exeter during summer 2007. This building has won an award for its utilisation of copper and the official opening of the building was on 16 November 2007. A major refurbishment and extension to the Scott Building was completed in the autumn of 2007 and now also provides superb facilities for the Faculty of Arts. The Rolle building and Francis Drake hall of residence development is home to staff and students from the Faculty of Education, which relocated from Exmouth during summer 2008. The Nancy Astor Building now provides office accommodation and facilities for the Faculty of Health and Social Work and central university administration. This building has been in use since summer 2008 and provides a much needed sports hall and extra fitness suite.

Disposals

As part of the rationalisation the university plans to making significant capital disposals over the next two years and every effort is being made to maximize the value of these. Such disposals include the sale of the Earl Richard Road North site in Exeter, the Seale Hayne site in Newton Abbot, the university buildings at Exmouth and a number of properties in Plymouth, including the Hoe centre. In 2007/08 the Hasledene hall of residence in Exmouth was sold generating a surplus of £3.0m. However, the costs associated with individual refurbishment projects in the Mary Newman and Davy buildings, which have given way to further refurbishment and development works, have had to be written off in the year resulting in an overall profit on disposals of £1.4m.

Income



Income rose by 12.1% as the University continues to expand its activities, receiving additional funding from HEFCE for additional students in the University's partner colleges, for the Peninsula Medical and Dental School and also from its research activities.

Funding from HEFCE now represents 46% (2007: 48%) of total consolidated income which indicates that the university is moving forward with the diversification of its income streams.

Tuition fee income has increased by 21% and is driven by the variable fees from full time home and EU students. Tuition fee income from this group of students has increased by 34% and is representative of another intake year that are paying top up fees at the university.

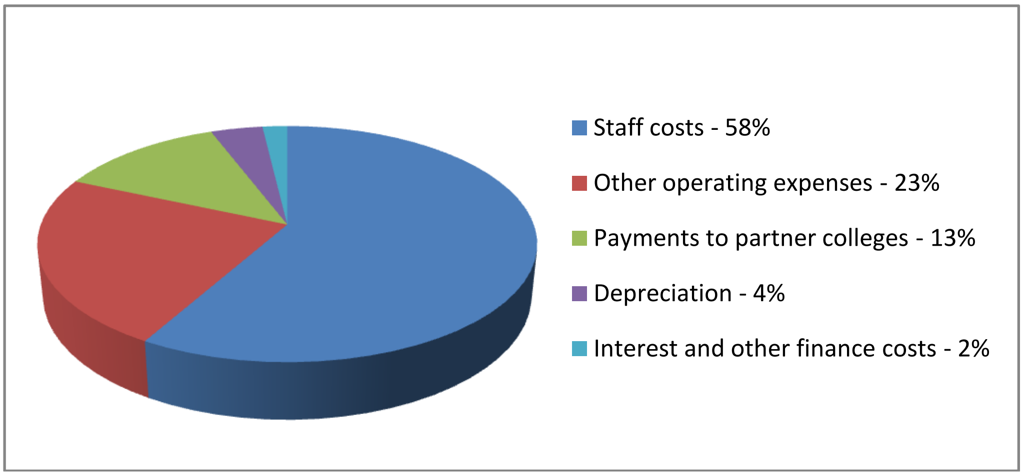
Income from Education Contracts has increased by 14.8%. The majority of this income relates to contracts held by Plymouth Healthcare Education Limited and the NHS and the increase of £3.1m is in relation to a new nursing contract with the NHS.

Research grant and contract income has increased by 12.2% and this is due to the increased focus on research at the university. The university has been successful in securing grant funding from HEFCE, the RDA and European Research Council.

Operating and Financial Review for the year ended 31 July 2008 (continued)

Results for the year (continued)

Expenditure



Staff costs have increased by 9.5% and this is due to a 2.2% increase in staff numbers in the year and a pay rise of 4.3% in the year, as a result of the nationally agreed pay award, along with the incremental increases within the pay structure. This is at 58% of total income and is somewhat higher than the benchmark set within the sector. The pension cost recognised in the income and expenditure account is £1.5m (2007: £0.9m).

Other operating costs have increased by 4.3%; this is despite of a 16% increase in utility costs and ongoing costs associated with restructuring. This demonstrates the university focus on working more efficiently and commercially is having the desired effect.

Performance indicator	2007/08	2006/07	2005/06
Pay expenditure as a % of total expenditure	58%	59%	59%
Non-pay expenditure* as a % of total expenditure	36%	39%	39%

*Non- pay expenditure excludes depreciation and interest charged in the year

Balance sheet
The university balance sheet shows a reduction in net assets of £19.5m mainly due to a £23.1m increase to the Pension Fund liability at the year end.

Tangible fixed assets have increased by £27.1m and significant additions in the year include the Rolle Building at £19.0m, the Nancy Astor building at £11m, the Scott building refurbishment at £3m and the Davy building refurbishment at £2.0m.

Creditors of more than one year include £18.3m with regard to the recognition of a creditor for the Rolle building. This will be released to the Income and Expenditure account over a 35 year period. The remainder is with regard to the loan balances held with HSBC Plc and Lloyds TSB.

The pension scheme liability reflects the university's share of the Devon County Council pension scheme deficit in line with the requirements of FRS 17. The deficit has increased by £23.1m (2007: a decrease of £11.5m) and this has led to an increased liability of £43.5m. This is due to the actual return on the scheme assets being £48.0m below the expected return, which reflects current market conditions. Net costs recognised in the income and expenditure account are £0.97m (2007: £0.92m).

Performance indicator	2007/08	2006/07	2005/06
Ratio of current assets to current liabilities	94%	102%	121%

Operating and Financial Review for the year ended 31 July 2008 (continued)

Results for the year (continued)

Cash flow
The university cash flow shows a decrease of cash in the year of £2.5m (2007: an increase of £2.7m). The key movements in the year being £28.6m capital expenditure and a £6.9m cash outflow from the management of liquid resources offset by a £38.8m cash inflow from operating activities. The cash inflow from operating activities has arisen due to improvements in debtor payment days and an increase in creditor balances in the year which is due to the recognition of the lease for the Rolle building.

Fundraising

In this period the university primarily raised funds for the Roland Levinsky Memorial Fund and the Portland Square Memorial. The success of these funds, and the uplift they represent on the philanthropic income from the previous year, demonstrates the effectiveness of a clear reason to support the university with donations. Nonetheless these funds are time-specific and do not represent any ongoing income stream. In the 2008-9 financial year and thereafter the new Fundraising and Alumni Relations team will focus on engaging the university's alumni and establishing funds and programmes of fundraising activity that support the university's strategy and provide an ongoing source of income.

Treasury Management Policy

The university's surplus cash deposits are invested in accordance with the university's Treasury Management Policy and are currently placed with Royal London Cash Management. The university adopts a very prudent approach to the investment of surplus funds. To protect capital sums invested, the university's fund managers are instructed to invest in institutions carrying ratings of A1 (Standard and Poors) and F1 (Fitch IBCA). 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 25 days to pay its creditors from the date of issue of the invoice (2006/07 36 days). The main reason for the decrease of 11 days is due to the increased efficiency of procedures within the payments team and the implementation of a new finance system, which led to the majority of suppliers being paid at the year end.

Student Numbers

Student numbers have increased by 5.5% and FTEs by 9.7%.

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

	Heads	FTE	Heads	FTE
Within the university (including Peninsula College of Medicine and Dentistry)	22,085	17,980	21,476	16,873
Further education college partnerships	10,062	7,395	8,990	6,256
Total	32,147	25,375	30,466	23,129

Operating and Financial Review for the year ended 31 July 2008 (continued)

Student Numbers (continued)

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, together with his team of sabbaticals meet the Vice-Chancellor on a monthly basis; formal and informal consultation with the Students' Union is an embedded activity of the university.

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. 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 recognised Trades Unions that 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 Staff Development policy underpins the delivery of 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 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 awareness raising and training 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 an 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 and a revised Safety Policy was recently launched and regular safety courses are run for all members of staff. An annual safety inspection carried out by the Safety Officer assesses the level of compliance within a faculty/department and when necessary, makes recommendations for improvement.

Governors' Remuneration

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

Governors' Insurance

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

We would like to extend our sincere thanks to all staff across the university for their individual and collective efforts that serve to underpin the continued success of the university and overall enhance the student experience.

Barbara Bond
Chair of the Board of Governors
21 November 2008

Professor Wendy Purcell
Vice-Chancellor and Chief Executive
21 November 2008

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 2008. The Board of Governors can also confirm that the university continues to comply with the provisions of the Committee of University Chairmen (CUC) Guide for Members of Higher Education Governing Bodies, and the advice contained in the Guidance on Corporate Governance for Higher Education issued by the British Universities Finance Directors' Group (BUFDG) in 2006.

Governance structure

The university's Instrument and Articles of Government establish the structural framework of governance. The university's Board of Governors is constituted in accordance with the Instrument: in 2007/08 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 held four scheduled meetings during the year, plus two away days to discuss issues of strategic importance.

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 Vice-Chancellor and University Secretary ensure that the Board is kept fully apprised of, and has the opportunity to contribute to, strategic discussions: one of the away days in 2007/08 focused on the development of the enterprise agenda within the university. The Board is charged with specific responsibilities under the University's Articles of Government, under 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 the Chief Executive's Group and the Senior Management Team, is responsible for the leadership and management of the university and for ensuring that the university meets its academic and financial objectives. The Vice-Chancellor is the university's Accounting Officer.

The Board has established several committees, including a Finance Committee, an Audit Committee, an Employment and Remuneration Committee, and a Nominations Committee. Each is formally constituted with clear terms of reference. Membership is largely drawn from members of the Board, although there is provision for co-opted independent members with relevant professional expertise who are not members of the university or of the Board of Governors. In 2007/08, the Audit Committee, the Employment and Remuneration Committee and the Finance Committee each included one such co-opted member.

In 2007/08, the Audit Committee met on five occasions, with the internal auditors always in attendance. The external auditors attended for those meetings concerned with the 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. The internal and external auditors meet privately with the governor members of the Committee annually, and have direct access to the Committee Chair at any time.

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.

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 being 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 to achieve value for money.

The Board engages in regular internal review of its own performance, involving interviews with all Governors and with members of the Office of the Vice-Chancellor; the most recent review was carried out in 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 2007/08, the Audit Committee reviewed its activities against the good practice guidance issued by the Committee of University Chairmen in the Handbook for Members of Audit Committees in HE Institutions. As a consequence the Committee will be updating a number of its processes in the coming year.

Corporate Governance Statement (continued)

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 2008 and up to the date of approval of the financial statements, and accords with HEFCE guidance. The university is therefore compliant with Funding Council requirements.

The review of the effectiveness of the system of internal control is informed inter alia by the work of Mazars, 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.

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. In November 2008 the Board is due to consider an amended corporate risk register and updated risk management policy which, inter alia, reflect the ongoing internal strategic review initiated by the Vice-Chancellor.

In meeting its responsibilities, the Board relies heavily on advice from the Audit Committee. The Audit Committee and the internal auditors have continued an approach to risk-based audit which integrates more closely operational audits and reviews of associated risk. Review processes cover business risk, operational risk and compliance, as well as financial risk. In 2007/08, audits included an updated review of the Procurement function, including an analysis of performance against the HEFCE checklist, with a particular focus on strategic procurement. The Committee also commissioned a number of strategic audits linked with the university's key objectives, covering issues of academic governance and institutional partnerships, intellectual property and student employability.

The Office of the Vice-Chancellor 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 with proposals made to the Board; and for ensuring that managers within the university fulfil their responsibilities for risk management.

In addition to the corporate risk register, faculties, major projects and many directorates produce local risk registers. Where directorates identified that the key risks in their area are incorporated within the corporate risk register or individual project registers, the university has not hitherto required the production of a specific local register, but that requirement has now been introduced.

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

We have audited the financial statements' of University of Plymouth for the year ended 31 July 2008 which comprise the Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out in therein.

Respective responsibilities of the governing body and auditors

The governing body's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Governing Body's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the governing body of the institution in accordance with the institution's Articles of Government and section 124B of the Education Reform Act 1988. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education. We report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the institution's Articles of Government and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE) and with the funding agreement with the Training and Development Agency for Schools. We also report to you if, in our opinion, the institution has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the Operating and Financial Review and the Corporate Governance Statement. We also review the statement of internal control included as part of the Corporate Governance Statement and comment if the statement is inconsistent with our knowledge of the institution and group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

The maintenance and integrity of the University of Plymouth website is the responsibility of the Governing Body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Code of Practice. 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 governing body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

i. the financial statements give a true and fair view of the state of affairs of the institution and the group at 31 July 2008, and of the surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended;

ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice;

iii. in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received; and

iv. in all material respects, income has been applied in accordance with the institution's Articles of Government and where appropriate in accordance with the financial memorandum (2006/24) with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Plymouth

25 November 2008

The maintenance and integrity of the University of Plymouth website is the responsibility of the governing body of the University; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2007 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.

Changes in accounting policies
The university has adopted the amendment to FRS 17, 'Retirement benefits'. As a result of this, quoted securities held as plan assets in the Local Government Pension Scheme are now valued at bid price rather than mid-market value. The effect of this change is to increase the pension deficit as at 31 July 2008 by £0.4 million. Current and prior year profits have been unaffected by this change. The deficit at 31 July 2007 has not been restated on the grounds of materiality.

Basis of consolidation
The consolidated financial statements include the university and all its subsidiary undertakings for the financial year to 31 July 2008. 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. All exchange differences are dealt with in the income and expenditure account.

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.

Statement of Principal Accounting Policies (continued)

Pension schemes (continued)

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.

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 if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. The 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.

Statement of Principal Accounting Policies (continued)

Tangible fixed assets (continued)
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.

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.

Statement of Principal Accounting Policies (continued)

Taxation (continued)
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 2008

	Notes	Year ended 31 July 2008	Year ended 31 July 2007
		£000	**£000**
INCOME			
Funding Body grants	1	**97,697**	89,637
Tuition fees and education contracts	2	**51,939**	43,716
Research grants and contracts	3	**12,354**	11,007
Other income	4	**17,317**	16,114
Endowment and investment income	5	**1,636**	983
Total income		**180,943**	161,457
EXPENDITURE			
Staff costs	6	**(104,963)**	(95,862)
Other operating expenses	8	**(64,811)**	(62,166)
Depreciation	13	**(7,098)**	(5,817)
Interest and other finance costs	10	**(3,385)**	(2,135)
Total expenditure		**(180,257)**	(165,980)
Surplus/(deficit) after depreciation of tangible fixed assets at valuation and before tax		**686**	(4,523)
Taxation	11	**(253)**	52
Surplus/(deficit) before exceptional items		**433**	(4,471)
Exceptional item:			
Surplus on disposal of fixed assets		**1,402**	697
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets, disposal of assets and tax	12	**1,835**	(3,774)
Surplus for the year transferred from endowment funds		**3**	-
Surplus /(deficit) for the year retained within general reserves		**1,838**	(3,774)

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 2008

	Notes	2007/08	2006/07
		£000	£000
Surplus/(deficit) on continuing operations before taxation but after exceptional items		**2,088**	(3,826)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	25	**1,004**	1,012
Released in respect of disposals, demolitions and impairments	25	**94**	374
Historical cost surplus/(deficit) for the year before taxation		**3,186**	(2,440)
Historical cost surplus/(deficit) for the year after taxation		**2,933**	(2,388)

Statement of total recognised gains and losses for the year ended 31 July 2008

	Notes	2007/08	2006/07
		£000	£000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and taxation		**1,835**	(3,774)
Actuarial (loss)/gain on pension scheme	36	**(22,150)**	11,500
Movement on endowments	23	**13**	33
Total recognised (losses)/gains relating to the year		**(20,302)**	7,759

	2007/08	2006/07
Reconciliation	£000	£000
Opening reserves and endowments	**48,345**	40,586
Total recognised (losses)/gains for the year	**(20,302)**	7,759
Closing reserves and endowments	**28,043**	48,345

Balance sheet as at 31 July 2008

	Note	Consolidated 2008 £000	University 2008 £000	Consolidated 2007 £000	University 2007 £000
Fixed assets					
Tangible assets	13	**218,456**	**218,120**	191,353	191,105
Investments	14	**79**	**73**	56	38
		218,535	**218,193**	191,409	191,143
Endowment asset investments	15	**74**	**74**	61	61
Current assets					
Stock	16	**330**	**181**	245	142
Debtors – amounts falling due after more than one year	17	**9,302**	**6,658**	9,219	6,731
Debtors – amounts falling due within one year	17	**16,013**	**17,991**	24,371	24,167
Investments (liquid resources)		**14,971**	**13,651**	8,114	8,074
Cash at bank and in hand		**2,397**	**2,127**	5,088	4,659
		43,013	**40,608**	47,037	43,773
Creditors: amounts falling due within one year	18	**(45,651)**	**(43,337)**	(46,133)	(41,625)
Net current (liabilities)/assets		**(2,638)**	**(2,729)**	904	2,148
Total assets less current liabilities		**215,971**	**215,538**	192,374	193,352
Creditors - amounts falling due after more than one year	19	**(89,092)**	**(89,016)**	(69,555)	(69,555)
Provisions for liabilities	21	**(5,543)**	**(5,543)**	(5,103)	(5,103)
NET ASSETS BEFORE PENSION SCHEME LIABILITIES		**121,336**	**120,979**	117,716	118,694
Pension scheme liabilities	36	**(43,450)**	**(43,450)**	(20,330)	(20,330)
NET ASSETS AFTER PENSION SCHEME LIABILITIES		**77,886**	**77,529**	97,386	98,364
Deferred capital grants	22	**49,843**	**49,787**	49,041	49,041
Endowments					
Expendable	23	**32**	**32**	25	25
Permanent		**42**	**42**	36	36
		74	**74**	61	61
Reserves					
Income and expenditure account excluding pension reserve	25	**34,846**	**34,545**	30,943	31,921
Pension reserve	25	**(43,450)**	**(43,450)**	(20,330)	(20,330)
Income and expenditure account including pension reserve		**(8,604)**	**(8,905)**	10,613	11,591
Revaluation reserve	24	**36,573**	**36,573**	37,671	37,671
Total reserves		**27,969**	**27,668**	48,284	49,262
TOTAL FUNDS		**77,886**	**77,529**	97,386	98,364

The financial statements on pages 16 to 46 were approved by the Board of Governors on 21 November 2008 and were signed on its behalf by:

Barbara Bond
Chair of the Board of Governors

Professor Wendy Purcell
Vice-Chancellor and Chief Executive

Consolidated cash flow statement
for the year ended 31 July 2008

	Notes	2007/08 £000	2006/07 £000
Cash flow from operating activities	26	**38,833**	4,529
Returns on investments and servicing of finance	27	**(1,711)**	(1,118)
Taxation paid	28	**(401)**	(379)
Capital expenditure and financial investment	29	**(28,633)**	(26,783)
Management of liquid resources	31	**(6,857)**	4,809
Financing	30	**(3,776)**	21,617
(Decrease)/increase in cash in the year		**(2,545)**	2,675

Reconciliation of net cash flow to movement in net debt

		2007/08 £000	2006/07 £000
(Decrease)/increase in cash in the year	31	**(2,545)**	2,675
Cash inflow from new secured loan	30	**-**	(52,677)
Cash outflow from repayment of loans	30	**3,776**	31,060
Cash outflow/(inflow) from liquid resources	31	**6,857**	(4,809)
Non cash movement in endowments (designation)	23	**-**	24
Movement in net debt in year		**8,088**	(23,727)
Net debt at 1 August	31	**(50,162)**	(26,435)
Net debt at 31 July	31	**(42,074)**	(50,162)

Notes to the accounts

1 Funding Body grants

	HEFCE £000	TDA £000	2007/08 Total £000	2006/07 Total £000
Recurrent teaching grants	79,196	3,678	**82,874**	77,462
Recurrent research grants	4,271	-	**4,271**	3,706
Specific grants:				
Other	8,192	-	**8,192**	7,296
Releases of deferred capital grants:				
Buildings (note 22)	1,696	-	**1,696**	734
Equipment (note 22)	664	-	**664**	439
Total	94,019	3,678	**97,697**	89,637

2 Tuition fees and education contracts

	2007/08 £000	2006/07 £000
Full-time UK & European Union (EU) students	**24,883**	18,589
Full-time non-EU students	**4,823**	5,488
Part-time students	**1,781**	1,841
Special and short course fees	**340**	278
Total fees paid by or on behalf of individual students	**31,827**	26,196
Education contracts	**20,112**	17,520
Total	**51,939**	43,716

3 Research grants and contracts

	2007/08 £000	2006/07 £000
Research councils	**3,534**	2,653
UK based charities	**1,807**	1,470
UK based government bodies	**4,753**	3,873
UK based industry and commerce	**596**	769
European Commission	**125**	118
EU Framework	**711**	1,305
European based government bodies	**127**	173
Other European grants and contracts	**356**	338
Other overseas grants and contracts	**316**	282
Releases of deferred capital grants re equipment (note 22)	**29**	26
Total	**12,354**	11,007

Notes to the accounts (continued)

4 Other income

	2007/08 £000	2006/07 £000
Residences, catering and conferences	**2,554**	2,771
Other grant income	**5,877**	4,462
Nursery income	**430**	447
Rental and car park income	**348**	385
Educational visits and field trips	**492**	530
Farm income	**72**	44
Sundry grants and studentships	**1,063**	812
Student fines	**193**	115
Recreation income	**256**	229
Other miscellaneous income	**6,032**	6,319
	17,317	16,114

5 Endowment and investment income

	2007/08 £000	2006/07 £000
Income from expendable endowments	**1**	2
Income from permanent endowments	**2**	1
Income from short term investments	**1,073**	1,000
	1,076	1,003
Other Finance income:		
Expected return on pension scheme assets	**8,950**	7,060
Interest on pension scheme liabilities	**(8,390)**	(7,080)
	560	(20)
Total Endowment and investment income	**1,636**	983

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:

	2007/08 Number	2006/07 Number
Teaching departments	**1,614**	1,548
Academic support services	**333**	322
Administration and central services	**333**	351
Premises	**218**	224
Other income-generating activities	**61**	60
Catering and residences	**69**	66
Total	**2,628**	2,571

Notes to the accounts (continued)

6 Staff costs (continued)

	2007/08	2006/07
	£000	£000
Wages and salaries	**85,745**	79,596
Social security costs	**6,631**	6,058
Other pension costs	**12,587**	10,208
Total	**104,963**	95,862

	2007/08	**2006/07**
	£000	**£000**
Employment costs for staff on permanent contracts	**81,832**	74,017
Employment costs for staff on short-term and temporary contracts	**23,131**	21,845
Total	**104,963**	95,862

7 Senior post-holders' emoluments

Emoluments of the Vice-Chancellor (VC):	**2007/08**	**2006/07**
	£	**£**
Salary	**183,000**	183,016
Pension contributions	**21,507**	13,388
Benefits in kind	**17,397**	6,903
Total	**221,904**	203,307

This year the emoluments of the Vice-Chancellor include those of the Vice-Chancellor and the acting Vice Chancellor. In 2006/7 the emoluments of the Vice-Chancellor and the two acting Vice-Chancellors were included.

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:

	2007/08 Number	**2006/07 Number**
£100,000 - £109,999	**2**	-
£110,000 - £119,999	**-**	1
£120,000 - £129,999	**2**	2
£130,000 - £139,999	**1**	1
£140,000 - £149,999	**1**	2
£150,000 - £159,999	**2**	3
£160,000 - £169,999	**4**	-
£170,000 - £179,999	**-**	1
£180,000 - £189,999	**-**	-
£190,000 - £199,999	**1**	-

The aggregate total of these senior staff emoluments was £2,124,820 (£1,547,644 in 2006/07), 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.

Notes to the accounts (continued)

8 Other operating expenses

	2007/08 £000	2006/07 £000
Payments to partner institutions (see note below)	**22,778**	19,952
Residences, catering and conferences operating expenses	**1,137**	1,353
Consumables	**4,973**	5,882
Books and periodicals	**1,766**	1,604
Heat, light, water and power	**3,387**	2,753
Repairs and general maintenance	**1,387**	1,748
Grants to University of Plymouth Students' Union	**786**	763
Rents	**1,717**	1,982
Equipment	**1,549**	1,677
External auditors' remuneration	**75**	83
External auditors' remuneration in respect of non-audit services	**47**	37
Internal auditors' remuneration	**55**	71
Hire of other assets	**2,632**	1,771
Other expenses	**22,522**	22,490
	64,811	62,166

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.

Within the Rents figure above is £1,360,000 (2006/07 £1,350,000) paid in the year in relation to operating leases for land and buildings. Within the Hire of other assets figure above is £1,900,000 (2006/07 £1,080,000) paid in the year in relation to operating leases for equipment.

The unconsolidated audit fee for the university only was £43,475 (£40,000 in 2006/2007).

9 Analysis of staff costs and other operating expenses by activity

	Staff costs		Other operating expenses	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Teaching departments	**66,545**	64,295	**46,676**	44,818
Academic support services	**11,988**	9,001	**8,489**	10,485
Administration and central services	**15,644**	12,873	**2,662**	2,144
Premises costs	**6,444**	6,224	**5,228**	3,632
Other income-generating activities	**2,712**	1,904	**904**	947
Catering and residences operations	**1,630**	1,565	**852**	140
Total	**104,963**	95,862	**64,811**	62,166

10 Interest payable

	2007/08 £000	2006/07 £000
Interest:		
On bank loans wholly repayable in more than five years	**3,446**	2,570
On other loans wholly repayable in more than five years	**-**	-
On Corporation Tax	**8**	44
On VAT	**62**	-
Less finance costs capitalised	**(131)**	(479)
	3,385	2,135

Notes to the accounts (continued)

11 Taxation

Analysis of charge in period	**2007/8 £000**	**2007/08 £000**	**2006/07 £000**	**2006/07 £000**
UK corporation tax				
Current tax on income for the period	**-**		17	
Adjustments in respect of prior periods	**(30)**		372	
Total current tax		**(30)**		389
Deferred tax				
Origination/reversal of timing differences	**394**		(358)	
Changes in tax rates or laws	**39**		-	
Adjustment in respect of previous years	**(150)**		(83)	
Total deferred tax		**283**		(441)
Tax charge/(credit) for the year		**253**		(52)

The deferred tax asset (note 17) has arisen primarily due to timing differences in subsidiary companies.

Analysis of movement in deferred tax asset	**2007/08 £000**	**2006/07 £000**
Opening balance	**441**	-
Adjustment in respect of prior year	**(6)**	-
Adjustment in respect of subsidiary brought forward asset	**150**	-
Profit and loss account	**(433)**	441
Closing balance	**152**	441

12 Surplus on continuing operations for the year

The surplus/(deficit) on continuing operations is made up as follows:	**2007/08 £000**	**2006/07 £000**
University's surplus/(deficit) for the year	**106**	(3,835)
Surpluses generated by subsidiary undertakings and payable to the University under the Gift Aid Regulations	**450**	555
Surpluses generated by subsidiary undertakings but retained within subsidiaries	**1,280**	349
Losses incurred by subsidiary undertakings	**(1)**	(843)
Surplus/(deficit) on continuing operations for the year	**1,835**	(3,774)

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 2007					
Valuation	-	55,499	-	-	55,499
Cost	9,579	151,038	2,409	20,077	183,103
Total	**9,579**	**206,537**	**2,409**	**20,077**	**238,602**
Additions (cost)	33,059	-	-	2,743	35,802
Transfers (cost)	(19,939)	19,811	-	128	-
Disposals (cost)	-	(2,201)	-	(3,508)	(5,709)
Disposals (valuation)	-	(312)	-	-	(312)
At 31 July 2008					
Valuation	-	55,187	-	-	55,187
Cost	22,699	168,648	2,409	19,440	213,196
Total	**22,699**	**223,835**	**2,409**	**19,440**	**268,383**
Depreciation					
At 1 August 2007	-	36,900	599	9,749	47,248
Charge for year	-	5,028	44	2,026	7,098
Eliminated in respect of disposals	-	(920)	-	(3,499)	(4,419)
At 31 July 2008	**-**	**41,008**	**643**	**8,276**	**49,927**
Net book value					
At 31 July 2008	**22,699**	**182,827**	**1,766**	**11,164**	**218,456**
At 1 August 2007	9,579	169,636	1,810	10,328	191,353
Inherited	-	31,419	-	-	31,419
Financed by capital grant	-	45,470	-	4,373	49,843
Other	22,699	105,938	1,766	6,791	137,194
Net book value at 31 July 2008	**22,699**	**182,827**	**1,766**	**11,164**	**218,456**

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 £610,000 (2007: £479,000) in respect of capitalised finance costs. This represents an average interest rate of 5.32% (2007: 5.32%).

The depreciation charge has been funded by:	2007/08 £000	2006/07 £000
Revaluation reserve release	**1,098**	1,012
Deferred capital grant	**2,407**	1,199
General income	**3,593**	3,606
	7,098	5,817

Notes to the accounts (continued)

13 Tangible fixed assets (University)

	Land and buildings				
	Assets in course of construction £000	Freehold £000	Long leasehold £000	Equipment £000	Total £000
Cost or valuation					
At 1 August 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**
Additions (cost)	33,059	-	-	2,608	35,667
Transfers (cost)	(19,939)	19,811	-	128	-
Disposals (cost)	-	(2,201)	-	(3,508)	(5,709)
Disposals (valuation)	-	(312)	-	-	(312)
At 31 July 2008					
Valuation	-	55,187	-	-	55,187
Cost	22,699	168,632	2,409	18,881	212,621
Total	**22,699**	**223,819**	**2,409**	**18,881**	**267,808**
Depreciation					
At 1 August 2007	-	36,894	599	9,564	47,057
Charge for year	-	5,027	44	1,979	7,050
Eliminated in respect of disposals	-	(920)	-	(3,499)	(4,419)
At 31 July 2008	**-**	**41,001**	**643**	**8,044**	**49,688**
Net book value					
At 31 July 2008	**22,699**	**182,818**	**1,766**	**10,837**	**218,120**
At 1 August 2007	9,579	169,627	1,810	10,089	191,105
Inherited	-	31,419	-	-	31,419
Financed by capital grant	-	45,470	-	4,317	49,787
Other	22,699	105,929	1,766	6,520	136,914
Net book value at 31 July 2008	**22,699**	**182,818**	**1,766**	**10,837**	**218,120**

Included in the cost of tangible fixed assets is £610,000 (2007: £479,000) in respect of capitalised finance costs. This represents an average interest rate of 5.32% (2007: 5.32%).

14 Investments

	Consolidated 2008 £000	University 2008 £000	Consolidated 2007 £000	University 2007 £000
Shares in subsidiary companies	**-**	**1**	-	1
Other investments other than loans	**79**	**72**	56	37
Total	**79**	**73**	56	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, which engages in the provision of conference, catering and car parking facilities on the two campuses of the University of Plymouth. 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, which undertakes 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 31 July 2009. 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, which engages 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, which provides 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, which has published its accounts for the year to 31 March 2008, 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 2008. 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, which has published its accounts for the year to 31 December 2007, has not been consolidated within these financial 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 2007.

The university is a member of James Square (Plymouth) Limited, a company limited by guarantee and incorporated in England and Wales, which secured the lease of the Rolle Building on completion. The university's liability is limited to £1. The university nominates two of the four directors, but day to day administration has been delegated to UPP Residential Services Limited. Therefore the company has not been consolidated into these financial statements, since the university does not have a significant influence over its activities.

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 2007.

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 Directors' liability is limited to £1 each. 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 2007.

15 Endowment assets

	Consolidated and University	
	2007/08	**2006/07**
	£000	**£000**
Balance at 1 August 2007	**61**	52
Amount transferred to PMS Foundation	**-**	(28)
New endowments invested	**16**	36
(Decrease)/increase in cash balances held for endowment funds	**(3)**	1
Balance at 31 July 2008	**74**	61

16 Stock

	Consolidated 2008 £000	**University 2008 £000**	**Consolidated 2007 £000**	**University 2007 £000**
Media stocks	**52**	**52**	42	42
Merchandise stocks	**9**	**9**	5	5
Farm stocks	**76**	**76**	66	66
Catering stocks	**33**	**33**	19	19
Maintenance stocks	**11**	**11**	10	10
Work in Progress (commercial projects)	**149**	**-**	103	-
Total	**330**	**181**	245	142

Notes to the accounts (continued)

17 Debtors

	Consolidated 2008 £000	University 2008 £000	Consolidated 2007 £000	University 2007 £000
Amounts falling due within one year:				
Trade debtors	**4,662**	**4,176**	11,153	4,790
Amounts owed by group undertakings: subsidiary undertakings	**-**	**3,594**	-	7,905
Other debtors	**1,556**	**1,401**	304	121
Deferred tax assets	**152**	**-**	441	-
Prepayments and accrued income	**9,643**	**8,820**	12,473	11,351
Total	**16,013**	**17,991**	24,371	24,167
Amounts falling due after more than one year:				
Other debtors	**6,658**	**6,658**	6,731	6,731
Prepayments and accrued income	**2,644**	**-**	2,488	-
Total	**9,302**	**6,658**	9,219	6,731
Total debtors	**25,315**	**24,649**	33,590	30,898

The elements of deferred taxation are as follows:

	2008 £000	2007 £000
Difference between accumulated depreciation and capital allowance	**152**	72
Losses brought forward	**-**	369
Balance at 31 July	**152**	441

18 Creditors: amounts falling due within one year

	Consolidated 2008 £000	University 2008 £000	Consolidated 2007 £000	University 2007 £000
Bank loans (see note 20)	**1,012**	**1,012**	3,749	3,749
Bank overdrafts	**774**	**713**	907	546
Trade creditors	**903**	**898**	2,833	2,486
Amounts owed to subsidiary undertakings	**-**	**-**	-	346
Other creditors	**4,311**	**4,336**	3,731	3,870
Taxation and Social Security	**2,691**	**2,308**	3,051	2,112
Accruals	**6,703**	**6,058**	8,952	7,444
Deferred income	**29,257**	**28,012**	22,910	21,072
Total	**45,651**	**43,337**	46,133	41,625

Notes to the accounts (continued)

19 Creditors: amounts falling due after more than one year

	Consolidated 2008 £000	University 2008 £000	Consolidated 2007 £000	University 2007 £000
Unsecured Loans	**57,730**	**57,730**	58,769	58,769
Deferred income and other creditors	**31,362**	**31,286**	10,786	10,786
Total	**89,092**	**89,016**	69,555	69,555

Loan 1 is payable until 2037, the current rate of interest is 5.19%. This loan is unsecured. The outstanding capital amount at 31 July 2008 was £25,226,555 (2007 £25,552,523).

Loan 2 is payable until 2016, the current rate of interest is 5.27%. This loan is unsecured. The outstanding capital amount at 31 July 2008 was £6,516,667 (2007 £7,051,227).

Loan 3 is payable until 2036, the current rate of interest is 5.20%. This loan is unsecured. The outstanding capital amount at 31 July 2008 was £27,000,000 (2007 £27,000,000).

20 Borrowings

Bank loans and other loans

	Consolidated and University 2008 £000	2007 £000
Bank loans and other loans are repayable as follows:		
in one year or less	**1,012**	3,749
between one and two years	**1,051**	891
between two and five years	**5,427**	3,829
in five years or more	**51,252**	54,049
Total	**58,742**	62,518

21 Provisions for liabilities

	Enhanced Pension £000	Other Provisions £000	Total 2007/08 £000	Total 2006/07 £000
Enhanced pension provisions				
At 1 August	**5,103**	**-**	**5,103**	4,893
Expenditure in the year	**(1,901)**	**-**	**(1,901)**	(447)
Charged in income and expenditure account	**2,193**	**148**	**2,341**	657
At 31 July	**5,395**	**148**	**5,543**	5,103

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

Notes to the accounts (continued)

22 Deferred capital grants

Consolidated	Buildings 2007/08 £000	Equipment 2007/08 £000	Total 2007/08 £000	Total 2006/07 £000
At 1 August	45,136	3,905	**49,041**	41,686
Cash receivable	2,030	1,439	**3,469**	9,795
Transfer of capital grants	-	(260)	**(260)**	(1,241)
Release to income and expenditure account	(1,696)	(711)	**(2,407)**	(1,199)
At 31 July	45,470	4,373	**49,843**	49,041

University	Buildings 2007/08 £000	Equipment 2007/08 £000	Total 2007/08 £000	Total 2006/07 £000
At 1 August	45,136	3,905	**49,041**	41,686
Cash receivable	2,030	1,405	**3,435**	9,795
Transfer of capital grants	-	(282)	**(282)**	(1,241)
Release to income and expenditure account	(1,696)	(711)	**(2,407)**	(1,199)
At 31 July	45,470	4,317	**49,787**	49,041

23 Endowments – Consolidated and University

	Restricted Permanent £000	Restricted Expendable £000	2008 Total £000	2007 Total £000
Balance at 1 August				
Capital	**32**	**24**	**56**	51
Accumulated income	**4**	**1**	**5**	1
	36	**25**	**61**	52
New endowments	**6**	**10**	**16**	36
Investment income	**2**	**1**	**3**	3
Expenditure	**(2)**	**(4)**	**(6)**	(3)
	-	**(3)**	**(3)**	-
Repayment of endowment to PMS Foundation	**-**	**-**	**-**	(27)
At 31 July	**42**	**32**	**74**	61
Represented by:				
Capital	**38**	**34**	**72**	60
Accumulated income	**4**	**(2)**	**2**	1
	42	**32**	**74**	61

Notes to the accounts (continued)

24 Revaluation reserve

	Consolidated and University 2007/08 £000	2006/07 £000
At 1 August	**37,671**	39,057
Transfer from revaluation reserve to general reserve in respect of:		
- Disposal, demolition and impairment of assets	**(94)**	(374)
- Depreciation on revalued assets	**(1,004)**	(1,012)
At 31 July	**36,573**	37,671

25 Movement on general reserves

Income and expenditure account reserve

	Consolidated 2007/08 £000	University 2007/08 £000
At 1 August	**30,943**	31,921
Surplus/(deficit) on continuing operations before transfer from revaluation reserve	**1,835**	(507)
Transfer from revaluation reserve in respect of:		
- Disposals, demolitions and impairments	**94**	94
- Depreciation	**1,004**	1,004
Add back pension deficit	**970**	970
Balance at 31 July	**34,846**	33,482

Pension reserve	Consolidated & University 2007/08 £000
At 1 August	**(20,330)**
Actuarial loss on pension scheme assets and liabilities	**(22,150)**
Deficit retained within reserves	**(970)**
Balance at 31 July	**(43,450)**

Notes to the accounts (continued)

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

	2007/08 £000	2006/07 £000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and after taxation	**1,835**	(3,774)
Taxation	**253**	(52)
Depreciation	**7,098**	5,817
Deferred capital grants released to income	**(2,407)**	(1,199)
Surplus on disposal of tangible fixed assets	**(1,402)**	(697)
Interest payable (note 10)	**3,385**	2,135
Increase in stocks	**(85)**	(109)
Decrease/(increase) in debtors	**6,666**	(3,006)
Increase in creditors	**23,716**	5,267
Increase in provisions	**440**	210
FRS 17 pension adjustment	**970**	920
Interest receivable (note 5)	**(1,636)**	(983)
Net cash inflow from operating activities	**38,833**	4,529

27 Returns on investments and servicing of finance

	2007/08 £000	2006/07 £000
Income from endowments	**13**	37
Other interest received	**1,636**	983
Interest paid	**(3,360)**	(2,138)
Net cash outflow from returns on investments and servicing of finance	**(1,711)**	(1,118)

28 Taxation

	2007/08 £000	2006/07 £000
Taxation paid	**(401)**	(379)
Net cash outflow from taxation	**(401)**	(379)

29 Capital expenditure and financial investment

	2007/08 £000	2006/07 £000
Purchase of tangible fixed assets	**(35,088)**	(41,037)
Purchase of investment	**(23)**	(2)
Sale of tangible fixed assets	**3,009**	1,401
Deferred capital grants received	**3,469**	12,883
Endowments paid out	**-**	(28)
Net cash outflow from capital expenditure and financial investment	**(28,633)**	(26,783)

Notes to the accounts (continued)

30 Financing

	2007/08 £000	2006/07 £000
New secured loan	**-**	52,677
Repayment of amounts borrowed	**(3,776)**	(31,060)
Net cash (outflow)/inflow from financing	**(3,776)**	21,617

31 Analysis of changes in net funds

	At 1 August 2007 £000	Cashflows £000	Other changes £000	At 31 July 2008 £000
Cash in hand, and at bank	5,088	(2,691)	-	**2,397**
Endowment asset investments (note 15)	61	13	-	**74**
Overdrafts	(907)	133	-	**(774)**
	4,242	(2,545)		**1,697**
Debt due within one year	(3,749)	3,749	(1,012)	**(1,012)**
Debt due after one year	(58,769)	27	1,012	**(57,730)**
Management of liquid resources	8,114	6,857	-	**14,971**
Net debt	(50,162)	8,088	-	**(42,074)**

32 Commitments

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

	Consolidated and University 2008 £000	2007 £000
Commitments contracted at 31 July	**3,786**	9,435
Authorised but not contracted at 31 July	**9,883**	10,066
Total	**13,669**	19,501

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

	Consolidated and University 2008 £000 Land and Buildings	2008 £000 Other	2007 £000 Land and Buildings	2007 £000 Other
Operating leases which expire:				
Within one year	**45**	**-**	315	727
In the second to fifth years inclusive	**192**	**2,081**	223	360
Over five years	**101**	**-**	98	-
Total	**338**	**2,081**	636	1,087

Notes to the accounts (continued)

33 Contingent liabilities

Included in cash at bank and in hand is a short term investment of £0.5m with the Icelandic bank, Landsbanki Islands hf. The deposit was placed by the University of Exeter on behalf of PCMD and was due to mature on 20 October 2008. On 7 October 2008 Landsbanki Islands hf issued a statement that it had gone into receivership. Since the year end, there has been no movement of funds. There is some uncertainty as to whether the amount is recoverable.

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.

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

			2007-08		2006-07	
Name	**Nature of interest**	**Detail**	**Income / (Expense)**	**Amount due to / (from)**	**Income / (Expense)**	**Amount due to / (from)**
			£000	£000	£000	£000
Tamar Science Park	Associate	Rental payments and consumables	(38)	4	(31)	4
Moustraining Limited	Associate	HEFCE teaching grant payments	(500)	-	(398)	-
Moustraining Limited	Associate	Dividend Receipt in UPEL	47	-	-	-
South West England Regional Network Ltd	Associate	IT networking	154	-	140	-
Theatre Royal Plymouth /Plymouth Pavilions Ltd	Governor	Ticket purchase and arena hire	(36)	-	(110)	-
South West Regional Development Agency	Governor	Research grant and contract income	543	-	413	18
South West Film & Television Archive	Senior Manager	Use of film footage	93	-	15	-

Further to the disclosures made above, Two Senior Managers are Trustees of James Square (Plymouth) Limited. The university will lease the Rolle Building from this company from August 2008.

Notes to the accounts (continued)

34 Related party transactions (continued)

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 £3.36m (2006/07: £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.

One Board member is an independent member of the Standards Committee for Plymouth City Council. The university pays rent, business rates, refuse collection charges and other miscellaneous charges to Plymouth City Council. The transactions that took place during the year are not considered material to either party.

The South West Regional Development Agency contributed £1.3m towards the construction of the Roland Levinsky Building in 2006-07. The building was completed on 31 July 2007.

35 Access funds

	2007/08 £000	**2006/07 £000**
Funding council grants	**1,328**	1,515
Disbursed to students	**(1,328)**	(1,515)
Balance unspent as at 31 July	**-**	-

Funding council grants are available solely for students; the university acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

Notes to the accounts (continued)

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 2007, 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 total contribution made for the year ended 31 July 2008 was £7,470,000 (2007: £6,070,000), of which employer's contributions totalled £5,390,000 (2007: £4,290,000) and employees' contributions totalled £2,080,000 (2007: £1,780,000). Employer contribution rates rose to 14.1% in April 2007. Expected employer's contributions for the year beginning 1 August 2008 are £5,600,000.

Changes to the LGPS

A number of changes to the LGPS came into effect on 1 April 2008. The changes mainly relate to benefits accruing and scheme member contributions after this date.

However, the changes introduced in the 2008 scheme also affect active members' benefits earned before 1 April 2008 as follows:

- An increase in the period of pension guarantee following retirements from five to ten years.
- The introduction of contingent dependents' benefits for co-habitees.
- An increase in the lump sum on death in deferment benefits following the member leaving service from three times to five times the deferred pension
- A change to service enhancements for ill-health and death in service pensions.

The past service costs of these benefit improvements has been calculated as 1.7% of active members' liabilities.

The major assumptions used in this valuation were:

	31 July 2008 %pa	**31 July 2007 %pa**	**31 July 2006 %pa**
Discount rate	**6.5**	**5.7**	5.1
Rate of increase in salaries	**5.3**	**4.8**	4.6
Rate of increase in pensions in payment	**3.8**	**3.3**	3.1
Rate of increase in deferred pensions	**3.8**	**3.3**	3.1
Rate of inflation	**3.8**	**3.3**	3.1
Commutation of pensions to lump sums	**75.0**	**50.0**	50.0
Long term expected rates of return on:			
Equities	**7.8**	**7.9**	7.4
Bonds (Government)	**4.8**	**4.9**	4.7
Property	**6.8**	**6.9**	6.4
Other assets	**5.9**	**6.0**	4.7
Bonds (Corporate)	**6.5**	**5.7**	-
Average long term expected rate of return	**7.0**	**7.2**	6.6

Notes to the accounts (continued)

36 Pensions (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	31 July 2008	31 July 2007
Retiring today		
Males	**22.1**	21.3
Females	**24.1**	23.8
Retiring in 20 years		
Males	**24**	21.3
Females	**25.3**	23.8

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 2008		**31 July 2007**		**31 July 2006**		**31 July 2005**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Equities	**56.46**	**63**	83.94	68	70.43	67	59.88	67
Property	**15.74**	**18**	17.28	14	11.56	11	8.04	9
Bonds	**7.56**	**8**	12.34	10	16.82	16	14.30	16
Other	**10.32**	**11**	9.88	8	6.31	6	7.15	8
Total	**90.08**	**100**	123.44	100	105.12	100	89.37	100

The 2008 scheme assets are stated at bid value. Previous years are stated at mid market value.

	31 July 2008 £m	**31 July 2007 £m**	**31 July 2006 £m**	**31 July 2005 £m**	**31July 2004 £m**
Share of assets in the Fund	**90.08**	123.44	105.12	89.37	52.93
Estimated funded liabilities	**(133.53)**	(143.77)	(136.03)	(119.03)	(72.55)
Estimated unfunded liabilities	**-**	-	-	-	-
University of Plymouth's deficit in the Fund	**(43.45)**	(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.

Notes to the accounts (continued)

36 Pensions (continued)

The University of Plymouth employs a building block approach in determining the rate of return on Fund assets. Historical markets are studies and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the Fund as at 31 July 2008.

Actual return on assets

	2008	2007
	£m	£m
Expected return on assets	**8.95**	7.06
Actuarial (loss) / gain on assets	**(48.17)**	6.41
Actual return on assets	**(39.22)**	13.47

Analysis of the amount charged to income and expenditure account

	2008	2007
	£m	£m
Current service cost	**5.53**	5.03
Past service cost	**1.39**	0.16
Total operating charge	**6.92**	5.19

Analysis of pension finance (income) / costs

	2008	2007
	£m	£m
Expected return on pension scheme assets	**(8.95)**	(7.06)
Interest on pension liabilities	**8.39**	7.08
Total pension finance (income) / costs	**(0.56)**	0.02

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2008	2007
	£m	£m
Actuarial (loss) / gain recognised in STRGL in the year	**(22.15)**	11.50
Cumulative actuarial loss recognised in STRGL at 1 August	**(10.57)**	(22.07)
Cumulative actuarial loss recognised in STRGL at 31 July	**(32.72)**	(10.57)

Notes to the accounts (continued)

36 Pensions (continued)

Asset and Liability Reconciliation

	2008 £m	2007 £m
Reconciliation of Liabilities		
Liabilities at start of period	**143.77**	136.03
Current service cost	**5.53**	5.03
Interest cost	**8.39**	7.08
Employee contributions	**2.08**	1.78
Actuarial gain	**(26.02)**	(5.09)
Benefits paid	**(1.61)**	(1.22)
Past Service cost	**1.39**	0.16
Liabilities at end of period	**133.53**	143.77
Reconciliation of Assets		
Assets at start of period	**123.44**	105.12
Expected return on assets	**8.95**	7.06
Actuarial (loss) / gain	**(48.17)**	6.41
Employer contributions	**5.39**	4.29
Employee contributions	**2.08**	1.78
Estimated benefits paid (net of transfers in)	**(1.61)**	(1.22)
Assets at end of period	**90.08**	123.44

History of experience gains and losses

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Experience adjustments on Scheme liabilities	**23.74**	(0.20)	(0.19)	(5.62)	(0.02)
Experience adjustments on Scheme assets	**(48.71)**	6.41	5.53	11.41	1.53

Universities' Superannuation Scheme

The university participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, 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 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) 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.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality members	PA92 (c=2020) for all retired and Non-retired

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating 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 funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to respect the fund's actual investment performance and changes in gilt yields (ie the valuation rate of interest). On the FRS17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measure on a buy-out basis was approximately 78%.

The university 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 university contribution rate 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the university's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumptions	***Change in assumption***	***Impact on scheme liabilities***
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/Increase by £2.2 billion
Rate of pension increases	Increased/decrease by 0.5%	Increase/decrease by £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.5 billion
Rate of mortality	More prudent assumption*	Increase by £0.8 billion

*Mortality used at last actuarial valuation, rated down by a further year

Notes to the accounts (continued)

36 Pensions (continued)

USS is 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 trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets ser are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows.

However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more. 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 £429,711 (2006/7: £395,548). The contribution rate payable by the university was 14% of pensionable salaries and the expected employers contributions for 2008/09 are £460,000.

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.

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

Latest actuarial valuations	31 March 2006
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 £5,166,150 (2006/7: £4,707,731). The expected employer's contributions for 2008/09 are £5,500,000.

National Health Service Pension Scheme (NHS)

The pensions charge recorded by the university during the accounting period was equal to the contributions payable £304,217 (2006/07: £252,641). The contribution rate payable by the institution was 14% of pensionable salaries (2006/07: 14%). The expected employer's contributions for 2008/09 are £320,000.

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 2008

INCOME	Note	University of Exeter 2007/08 £'000	University of Plymouth 2007/08 £'000	Total 2007/08 £'000	Total 2006/07 £'000
Funding Body grants	iii	5,923	5,924	**11,847**	10,186
Tuition fees and education contracts		1,494	1,493	**2,987**	2,035
University research support		-	-	**-**	90
NHS funding	iv	3,280	3,280	**6,560**	4,544
Research grants and contracts		3,163	3,163	**6,326**	5,329
Other income	v	1,118	1,119	**2,237**	2,562
Endowment and investment income		425	424	**849**	492
Total income		15,403	15,403	**30,806**	25,238
EXPENDITURE					
Staff costs		8,273	8,272	**16,545**	14,557
Other operating expenses		5,744	5,744	**11,488**	9,881
Depreciation	vii	123	123	**246**	255
Total expenditure		14,140	14,139	**28,279**	24,693
Surplus on continuing operations		1,263	1,264	**2,527**	545

BALANCE SHEET of the HE Community Chest as at 31 July 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	vii	**1,447**	583
Current assets			
Debtors	viii	**5,281**	5,162
Cash at bank and in hand	ix	**19,449**	9,833
		24,730	14,995
Creditors: amounts falling due within one year	x	**(18,640)**	(11,432)
Net current assets		**6,090**	3,563
Total assets less current liabilities		**7,537**	4,146
TOTAL NET ASSETS		**7,537**	4,146
Deferred capital grants		**1,447**	583
Reserves	xi	**6,090**	3,563
TOTAL		**7,537**	4,146

Notes to the accounts (continued)

NOTE 37 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY (continued)

Explanatory Notes

i. 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.

ii. 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 2008.

iii. Funding Body grants

	2008 £'000	2007 £'000
Recurrent grant	**11,394**	9,504
Other specific grants	**284**	493
Deferred capital grants released in the year: Equipment	**169**	189
	11,847	10,186

iv. NHS funding

	2008 £'000	2007 £'000
	6,560	4,544

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

v. Other income

	2008 £'000	2007 £'000
Other grant income	**659**	686
Other income	**1,578**	1,876
	2,237	2,562

Notes to the accounts (continued)

NOTE 37 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY (continued)

vi. Staff numbers

The average number of persons (including senior post-holders) employed on behalf of PCMD by either the University of Exeter and the University of Plymouth during the year, expressed as full-time equivalents, was:

	2008 Number	2007 Number
Academic staff	**100**	83
Research staff	**90**	76
Teaching fellows (formerly tutors)	**46**	35
Support staff	**122**	105
Total	**358**	299

The above staff numbers are split equally between the two Universities and included in their staff number disclosures.

vii. 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:

Computer Equipment	4 years
Equipment acquired for specific research projects	Project life (generally 3 years)
Other Equipment	8-10 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.

viii. Debtors

	2008 £'000	2007 £'000
Debtors	**1,113**	1,369
Prepayments and accrued income	**1,746**	3,793
Due from partner university	**545**	-
Due from NHS partners	**1,877**	-
	5,281	5,162

ix. Cash at bank and in hand

	2008 £'000	2007 £'000
Held by:		
University of Exeter	**16,156**	8,182
University of Plymouth	**3,025**	1,650
University of Plymouth - PCMD	**268**	1
	19,449	9,833

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

Notes to the accounts (continued)

NOTE 37 PENINSULA COLLEGE OF MEDICINE AND DENTISTRY (continued)

x. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank overdraft	**-**	5
Trade creditors	**112**	35
Other creditors	**57**	85
Due to partner universities	**319**	2,145
Deferred income:		
HEFCE Recurrent Teaching Grant	**3,659**	3,659
HEFCE Capital funding	**435**	-
HEFCE Dental start-up funding	**1,767**	-
NHS Capital funding	**1,360**	124
NHS Dental start-up funding	**1,909**	834
NHS SIFT	**3,657**	-
Accruals and other deferred income	**5,365**	4,545
	18,640	11,432

xi. Reserves

	2008 £'000	2007 £'000
Opening balance	**3,563**	3,018
Surplus for the year	**2,527**	545
Closing balance	**6,090**	3,563

xii. Post balance sheet events

Included in cash at bank and in hand is a short term investment of £1.02m with the Icelandic bank, Landsbanki Islands hf. The deposit was placed by the University of Exeter on behalf of PCMD on 18 April 2008, in line with the University of Exeter's investment policy and per the terms of the PCMD Memorandum of Agreement that ensured that no more than £3 million was held in a single bank or £5 million in the case of UK clearing banks. At this date Landsbanki Islands hf had the appropriate short term credit rating with Fitch (F1) and Moodys (P1). It was due to mature on 20 October 2008.

On 7 October 2008 Landsbanki Islands hf issued a statement that it had gone into receivership and, like all other Icelandic banks taken into Icelandic Government control, all payments in and out of the bank were stopped. To date, there has been no movement of funds and this will not happen until the administrators / receivers have completed their work and are in position to fund payments or declare actual loss.

The Universities of Exeter and Plymouth will each bear 50% of any future loss that may arise.