



## Scope and format of the financial statements

We are pleased to present the University's financial statements for 2014. The financial statements comprise the consolidated results of the University and its wholly-owned subsidiaries, BU Innovations Limited (BUIL), BU Enterprise Ltd (BUEL) and The Bournemouth University Foundation.

## Summary of the Group Financial performance for the year

The University's consolidated income, expenditure and results for the year ended 31 July 2014 are summarised as follows:

	2014	2013
	£000	£000
Income	128,687	120,424
Expenditure	128,254	120,265
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# Report of the Board of Governors

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## Operating and Financial Review

### Introduction

At Bournemouth University (BU) we are proud of our traditions and accomplishments and excited by our potential. Our academic, business and student services are geared to the professions and supported by a passionate commitment to high-quality academic endeavour and achievement.

We enjoy a reputation for excellence through education, research, enterprise and professional practice. And whilst we remain committed to our region, we have an outlook that is truly global.

We value creativity, innovation, partnership and enterprise with an attitude that is friendly, professional, inclusive and supportive. We are large enough to offer our students diversity, yet small enough for them to be part of a friendly

and thriving cosmopolitan community.

Our programmes are designed and delivered to give our graduates every opportunity to pursue employment and career enhancement and we consistently achieve high rates of graduate-level employment

### Legal Status

Bournemouth University is a Higher Education Corporation set up under the Higher & Further Education Act 1992. The University is a Charity under Statute, also known as an 'exempt charity'. Following changes in charity legislation, from 1 June 2010 the Higher Education Funding Council for England (HEFCE) became the 'principal regulator' for Higher Education Institutions (HEIs) in England that are exempt charities.

### Mission

Creating the most stimulating, challenging, and rewarding university experience in a world-class learning community by sharing our unique fusion of excellent education, research and professional practice and inspiring our students, graduates and staff to enrich the world.

### Strategic Plan

BU's Vision & Values, BU2018: Creating, Sharing, Inspiring is based around four key themes: Creating, Sharing, Inspiring; Finance; People; and Environment. BU's Strategic Plan is innovative and responsive and builds on Bournemouth University's current success to create a distinctive offer based on academic excellence underpinned by service excellence. The strategic plan will put students at the heart of the University and will encourage them to become co-creators and co-producers of knowledge.

At the heart of the strategic plan is the powerful fusion of research, education and professional practice, creating a unique academic experience where the sum is greater than the component parts. Fusion will be the key differentiator of BU, and this will inform and shape our marketing strategy. All components of our academic provision will demonstrate the principles of Fusion by 2015.

The University measures progress against the Strategic Plan 2012-18 through a Performance Management Framework consisting of 14 Key Performance Indicators (KPIs).

### Future Developments

The past few years have been a time of fast-paced change in higher education in England. Despite increased competition for home undergraduate students, the impact of changes to fees and changes to the government-imposed student number controls, BU has remained in a strong financial position. We have continued to make significant investment in our facilities and towards achieving our aspiration to become a centre of academic excellence in education, research and professional practice.

During 2014, plans for a new £22.0m academic building on our Talbot Campus were approved.

The new building will house academic and support facilities, including seminar rooms, lecture theatres and new catering facilities. Work commenced on the new building in the summer of 2014. Work has also continued on the new state-of-the-art £10.5m Student Centre also on our Talbot Campus. The new Centre will provide a high quality space where students can engage in social learning and study activities. It will also provide the Student Union at Bournemouth University with a much larger presence on Campus. The new Student Centre is scheduled to open in April 2015.

The School of Applied Sciences and the School of Design, Engineering and Computing were integrated during 2014 to create the Faculty of Science and Technology. The integration will allow the academic portfolio of the Faculty to operate in a space that can better reflect Science and The Science Technology Engineering & Maths (STEM) agenda. This is a core part of our academic activity and academic strength and therefore one that we would want to profile more strongly in the external environment both home and overseas.

In the Government's autumn 2013 statement it was announced that there would be an increase in the student number control in 2014-15 and the removal of the cap in 2015-16. This will create new opportunities and risks for institutions and will stimulate greater competition within the sector.



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Additionally, institutions will face increasing levels of uncertainty over student recruitment leading to greater volatility of financial forecasting and a widening of institutional financial performance in the coming years.

### Financial Strategy

The University Financial Strategy has been developed to help and support the delivery of the University's overall strategic goals and aims as outlined in our Vision and Values BU 2018 strategy. It incorporates the five principles of strategic financial and resource management as stated in HEFCE's good practice guidance. It also incorporates the University's own financial risk assessment.

### Financial Performance Indicators

The University measures progress against the Strategic Plan 2012-18 through a Performance

Management Framework consisting of 14 Key Performance Indicators (KPIs). The KPIs are directly linked to the strategic objectives and each strategic objective has at least one specific assigned Performance Indicator (PI). Where possible KPI targets have been developed using external benchmarks such as league table indicators and HESA Performance Indicators. The financial indicators are derived from the University financial model.

KPIs are reviewed at every Board meeting. The PIs are reviewed along with the KPIs by the University Executive Team on a regular basis. In addition to the financial performance indicators the Performance Management Framework monitors academic excellence, graduate employability, student and staff satisfaction and league tables.

With the exception of the current ratio, the University achieved or exceeded all 2013-14 financial performance indicator targets in 2013-14.

Financial Performance Indicators 2013-14	2013-14 Actual	2013-14 Target	BU 2018 Target
Current Ratio (current assets/current liabilities)	1.5:1	1.6:1	1.3:1
Annual contribution as a % of income (excluding pension adjustment)	2.5%	2%	6%
Total reserves (excluding pension and revaluation reserve) £m	51	51	84
Gearing (bank borrowings as a % of total assets less current liabilities)	22%	29%	29%



### Financial Highlights of the Year

The Group's income can be analysed as follows

	2014 £'000	2013 £'000	Increase/ (decrease) £'000	Increase/ (decrease)
Funding Body Grants	22,299	30,094	(7,795)	(26%)
Tuition fees and education contracts	88,268	74,933	13,335	18%
Research grants and education contracts	3,376	3,076	300	10%
Other operating income	14,211	11,832	2,379	20%
Endowment and investment income	533	489	44	9%
Total income	128,687	120,424	8,263	7%

The change in the split of income between Funding Body Grants and tuition fees reflects the second year of the introduction in the new fee regime within the sector. Income from Research grants and contracts increased by £0.3m whilst other operating income increased by £2.4m. The increase in other operating income is predominately due to Cranborne House accommodation building being brought back into service after a major refurbishment.


## Balance sheet

Overall the University has a strong balance sheet with net assets of £34.6m and cash reserves of £23.0m at 31 July 2014. Fixed assets increased by £9.1m to £98.0m predominately due to works carried out on the new Student Centre building. Gross asset investment totalled £17.3m whilst

BU will develop and grow a culture of valuing Dignity, Diversity and Equality of all individuals.

## Staff

The University recognises that staff are its key resource and is seeking to establish itself as an employer of choice by recruiting and retaining excellent staff.

The expertise, skills and commitment of staff will enable the University to achieve its objectives. Staff development is therefore

## Diversity and Equality

The University is committed to ensuring Bournemouth University is an institution that is open and accessible to all, and which values people for what they bring as individuals. BU will seek to uphold and, where possible, exceed the provision of equality legislation to reflect sector best practice. All staff and students have a duty to comply with this policy and so will need to be aware of their personal obligations in eliminating all forms of what the University considers to be unacceptable behaviour. The Diversity and Equality team works closely with staff and students, developing and initiating projects and co-ordinating training and events, all with the aim of supporting individuals. The team helps to increase knowledge and understanding of diversity and equality issues, and embedding diversity and equality into areas of the working and learning environment. To promote and support the University's strategic commitment to Dignity, Diversity and Equality (DDE) a number of student and staff networks, groups, clubs and societies have been established. The University has successfully achieved the 'Disability two ticks status'. This quality mark is awarded by the Department of Work and Pensions for positive commitment regarding the employment, retention, training and career development of disabled employees.

range of people can bring to our courses and our entry requirements reflect this. We also offer scholarships for talented athletes representing

# Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the Committee of University Chairs (CUC) Governance Code of Practice and Principles.

The members who served on the Board during the year and up to the date of signature of this report are listed on page 1.

The University has exempt charitable status and Board Members are, therefore, charitable trustees. As such they are responsible for ensuring that the University is compliant with charity legislation. The University must comply with the reporting and other requirements of the Higher Education Council for England (HEFCE) as principle regulator under the Charities Act 2011.

It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board is provided with regular and timely information on the overall financial performance of the University together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues.

All University Board Members are able to take independent professional advice in furtherance of their duties at the University's expense and have access to the Clerk to the Board, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole. Formal agendas, papers and reports are supplied to Board Members in a timely manner, prior to Board meetings. Briefings on topics of interest are also routinely provided and Continuing Professional Development opportunities, such as events run by the HE

Leadership Foundation, are available to Board Members at the University's expense.

The Board has a strong and independent non executive element and no individual or group dominates its decision making process. The Board considers that each of its non executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chairman and Vice-Chancellor are separate.

Independent members of the Board are appointed for an initial 3 year term of office. Independent members do not normally serve more than 2 consecutive terms. Elected staff members serve three year terms subject to remaining in an appropriate post at the University. The elected President of the Students' Union is an ex officio member of the Board and may serve a maximum of two, one-year terms.

1. Further to the above the following statements are provided to enable readers of the annual report and accounts to obtain a better understanding of the Institution's specific governance and legal structure.
2. The institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the Guidance to Institutions of Higher Education from the Committee of University Chairmen in its "Guide for Members of HE Governing Bodies in the UK".
3. The institution is an independent corporation, established as a Higher Education Corporation under the terms

of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Articles of Government which were approved by the Privy Council in 1996 and remain unchanged.

4. The Articles of Government at the University require the institution to have a governing body (the University Board) and an academic board (Senate), each with clearly defined functions and responsibilities, to oversee and manage its activities.
  - a. The University Board is the executive governing body, responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction.

In accordance with the requirements set out in the University's Articles of Government, the University Board has a majority of independent members. The Chair is elected from among those independent members. There is also provision for the appointment of co-opted members, and representatives of the academic and professional service staff, and the student body. Members of the Board receive no payment other than expenses reasonably incurred for the work they do for that body.

- b. Subject to the overall responsibility of the governing body and to responsibilities of the Vice-Chancellor, Senate has oversight of the academic affairs of the institution and draws its membership from the staff and the students of the institution plus the Principal of the Anglo-European College of Chiropractic (a partner institution of the University). It is particularly concerned with general issues relating to the learning, teaching and research work of the institution.
5. The Vice-Chancellor is the Chief Executive Officer and is the head of the institution with a general responsibility to the University

Board for the organisation, direction and management of the institution. Under the terms of the formal Financial Memorandum between the institution and HEFCE, the Vice-Chancellor is the accountable officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

6. Although the University Board meets at least four times each academic year, much of its detailed work is initially handled by sub-committees. In addition to these sub-committees the Board establishes fixed term ad-hoc Task Groups in order to consider particular issues. In 2013/14 these have comprised an Honorary Awards Task Group which met in March 2014. The activities of these committees and Task Groups are formally reported to the governing body.
  - a. Audit, Risk and Governance Committee is responsible for overseeing the University's management of risk: monitoring the effectiveness of the University's governance arrangements; value for money; internal control and advising the Board on the University's audit strategy. The Committee meets, at least three times a year, with the external auditors to discuss audit matters; and with the internal auditors to consider detailed internal audit reports and recommendations for the improvement of the University's system of internal control, together with management's response and implementation plans. The Committee also receives and considers reports from HEFCE and other external bodies as they affect the University's business and monitors adherence with regulatory requirements. It also has oversight of Health & Safety on behalf of the University Board. Audit, Risk and Governance Committee considers in detail the University's annual accounts and makes appropriate recommendations to the Board. The Committee also gains assurance over the quality of data submitted within institutional returns via the established data optimisation review process. University senior executives



attend meetings of Audit, Risk and Governance Committee but are not members of the Committee.

- b. Finance and Resources Committee takes a long term view of the University's overall development and advises the Board on the development of the Strategic Plan and major projects. It receives the management accounts of the University and additional performance reports. The Committee also advises the Board on the effectiveness and efficiency of estates and physical resource provision within the University as well as matters relating to Human Resources.
- c. Remuneration Committee determines the pay and conditions of service of members of the University Executive



# Independent Auditors' Report to the Governors of Bournemouth University

We have audited the financial statements of Bournemouth University for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Historical Cost Surpluses and Deficits, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, the Statement of Principal Accounting Policies and the related

# Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

## 1. Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property and equipment transferred to the University from Dorset County Council upon incorporation, and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007, the accounts direction handbook 2011/12 published jointly by the SFA and EFA, and applicable Accounting Standards.

## 2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University, its wholly-owned subsidiaries and those entities it exercises control or significant influence over for their financial years ended 31 July 2014. Intra-group sales and profits are eliminated on consolidation and all income and expenditure figures relate to external transactions only. The consolidated financial statements do not include those of the Bournemouth University Students' Union as it is separately constituted and the University does not exercise control or significant influence over the Union.

## 3. Fixed assets

As a consequence of the Education Reform Act 1988, the freehold interest in the land and buildings occupied by the University was transferred from the local County Council with effect from 1 April 1989. On 1 April 1989 the inherited

property was valued at £17.2m, by a firm of chartered surveyors, using the depreciated replacement cost basis. The land was valued at transferred debt. The property is recorded in the financial statements at these values, as adjusted for subsequent disposals. It is the University's policy to recognise a related revaluation reserve in respect of this property.

The threshold for the capitalisation of fixed assets is £5,000.

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition.

Assets under construction are accounted for at cost, based on the value of direct costs incurred to 31 July. As these assets become complete and operational they are transferred to the appropriate asset category. They are not depreciated until the accounting period in which they are brought into use. Depreciation is not provided on freehold land. On other assets it is provided on cost or revalued amounts in equal annual instalments over the estimated useful life of the assets. The rates of depreciation are as follows:

Freehold buildings	Between 20 and 50 years
Leasehold improvements	25 years. (or period of lease if shorter)
Computers	5 years

other donations are recognised as income on receipt.



## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

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	Note	2014 £'000	2013 £'000
Income			
Funding body grants	1	22,299	30,094
Tuition fees and education contracts	2	88,268	74,933
Research grants and contracts	3	3,376	3,076
Other operating income	4	14,211	11,832
Endowment and investment income		533	489
		<u>128,687</u>	<u>120,424</u>
Expenditure			
Staff costs	5	66,022	61,531
Depreciation	8	8,203	6,398
Other operating expenses	6	51,165	49,735
Interest and other finance costs	7	2,864	2,601
		<u>128,254</u>	<u>120,265</u>
Surplus for the year after depreciation of assets at valuation and taxation		<u>433</u>	<u>159</u>

All amounts relate to continuing activities.  
The notes on pages 27 to 45 form part of these accounts.

### Consolidated statement of total recognised gains and losses

	2014 £'000	2013 £'000
Surplus for the financial year	433	159
Actuarial (loss)/gain in respect of the pension scheme	(9,670)	9,410
Total recognised (loss)/gain relating to the financial year	<u>(9,237)</u>	<u>9,569</u>
Reserves reconciliation		
Opening reserves as previously stated	22,994	
Surplus for the year	433	
Actuarial loss recognised in pension schemes	(9,670)	
Closing reserves	<u>13,757</u>	

## CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES & DEFICITS FOR THE YEAR ENDED 31 JULY 2014

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	2014 £'000	2013 £'000
Surplus for the financial year	433	159
Difference between historical cost depreciation charge and actual depreciation charge on revalued fixed assets	401	401
Historical cost surplus after taxation	<u>834</u>	<u>560</u>

The notes on pages 30 to 49 form part of these accounts.

# CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	8	98,047	88,942
Investments	8	29	79
		<u>98,076</u>	<u>89,021</u>
Current assets			
Stocks	9	1	5
Investments		52	60
Debtors	10	8,650	5,205
Short-term deposits	18	23,210	30,169
Cash at bank and in hand	18	2,065	1,022
		<u>33,978</u>	<u>36,461</u>
Creditors: Amounts falling due within one year	11	(22,429)	(17,759)
Net current assets		<u>11,549</u>	<u>18,702</u>
Total assets less current liabilities		<u>109,625</u>	<u>107,723</u>
Creditors: Amounts falling due after more than one year	12	(32,660)	(33,666)
Pension liability	21	(42,390)	(29,975)
NET ASSETS		<u>34,575</u>	<u>44,082</u>
Deferred capital grants	13	20,818	21,088
Reserves			
Revaluation	14	5,315	5,716
Revenue excluding pension reserve		50,832	47,253
Pension reserve	21	(42,390)	(29,975)
Revenue including pension reserve	15	<u>8,442</u>	<u>17,278</u>
Total reserves		<u>13,757</u>	<u>22,994</u>
TOTAL		<u>34,575</u>	<u>44,082</u>

The notes on pages 30 to 49 form part of these accounts.

Approved and authorised for issue by the University Board on 28 November 2014

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2014

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	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	16	11,537	6,835
Returns on investments and servicing of finance			
Interest received		533	535
Interest element of bank loan		(1,180)	(868)
Interest element of finance lease payment		(955)	(986)
		<u>(1,602)</u>	<u>(1,319)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets (excluding leased assets)		(17,308)	(18,641)
Proceeds from sale of fixed assets		-	1,718
Proceeds from disposals of investments		47	-
Deferred capital grant received		847	683
		<u>(16,414)</u>	<u>(16,240)</u>
Cash outflow before use of liquid resources and financing		(6,479)	(10,724)
Management of liquid resources	18	6,959	5,332
Financing	17	(964)	5,090
Decrease in cash	18	<u>(484)</u>	<u>(302)</u>

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## 5. Staff (continued)

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions on behalf of the Vice-Chancellor are paid at the same rate as for other academic staff. No governors received remuneration apart from reimbursement of expenses incurred in the course of their duties.

	2014	2013
	£'000	£'000
• Emoluments of senior post holders		
Remuneration	792	819
Benefits in kind	3	13
Pension contributions	108	93
	<u>903</u>	<u>925</u>

Emoluments of senior post holders related to 6 members of staff in 2014 (2013: 6 members of staff)

	2014	2013
	Number	Number Restated
• Remuneration of other higher paid staff		
£100,000 to £110,000	1	1
£110,000 to £120,000	3	1
£120,000 to £130,000	-	2
£130,000 to £140,000	2	1

The 2013 remuneration of higher paid staff has been restated after additional guidance was released by HEFCE. The Vice-Chancellor is no longer included in the disclosure and remuneration includes basic salary, performance bonuses and all taxable benefits in kind but excludes employer's national insurance and employer's pension costs.

## • Average staff numbers employed:

Academic staff (excluding part-time visiting lecturers)	589	584
Administrative, professional, technical and clerical staff	777	780
Manual and maintenance staff	22	25
	<u>1,388</u>	<u>1,389</u>

	2014	2013
	£'000	£'000
6. Other operating expenses		
Staff development	1,309	1,090
External Agencies and staff secondments	3,104	3,602
Other staff costs	326	532
Travel costs	1,839	1,523
Consumables and laboratory costs	744	395
Franchise costs paid to partner colleges	5,749	7,882
Student union grant	550	500
Student welfare	3,341	2,881
Office expenses	395	989
Books, periodicals and information services	2,038	1,894

	2014	2013
	£'000	£'000
6. Other operating expenses (continued)		
Non capitalised equipment	5,480	3,159
Audit - External auditors remuneration – audit fees	39	33
- Auditors remuneration – other fees	4	23
- Taxation advisory services	8	69
- Internal auditors remuneration	59	58
Legal and professional	2,304	3,104
Bursaries	4,546	3,895
Promotions costs	1,780	1,873
Rent and rates	7,437	7,009
Heat, light, water and power	2,060	2,010
Repairs, refurbishment and scheduled maintenance	2,018	1,806
Insurance	363	343
Other expenses	5,672	5,065
	<u>51,165</u>	<u>49,735</u>

	2014	2013
	£'000	£'000
Other operating expenses include		
Governors expenses		
Hire of Plant and Machinery – operating leases	5	7
Hire of other assets – operating leases	-	15
	35	32

	2014	2013
	£'000	£'000
7. Interest and other finance costs		
On finance leases	955	

## 8. Tangible assets: Group and University

## Tangible Fixed Assets

	Freehold and Leasehold Land and Buildings £000	Leasehold Improvements £000	Equipment £000	Assets in course of construction £000	Total £000
Cost/valuation					
At 1 August 2013	105,498	1,891	51,594	15,396	174,379
Additions	-	-	428	16,880	17,308
Disposals	-	-	-	-	-
Transfers	14,151	-	3,787	(17,938)	-
31 July 2014	119,649	1,891	55,809	14,338	191,687
Depreciation					
At 1 August 2013	41,482	605	43,350	-	85,437
Charge for the year	5,009	76	3,118	-	8,203
Disposals	-	-	-	-	-
31 July 2014	46,491	681	46,468	-	93,640
Net book value					
31 July 2014	73,158	1,210	9,341	14,338	98,047
31 July 2013	64,016	1,286	8,244	15,396	88,942

As a result of the Education Reform Act 1988 the interests in properties occupied by the University, previously held by Dorset County Council (DCC), were formally transferred, under the direction of the Education Assets Board (EAB), to the University itself with effect from 1st April 1989. Similarly, the University also acquired unrestricted title to those moveable assets acquired from funds previously paid by the DCC.

## 8. Tangible assets (continued)

The cost/valuation of Land and Buildings comprises:	2014 £'000	2013 £'000
Freeholds		
Assets inherited upon incorporation:		
Property, valued at depreciated replacement cost	17,170	17,170
Land, valued at transferred debt	122	122
	<u>17,292</u>	<u>17,292</u>
Assets valued on an open market basis in 1990	150	150
Assets stated at cost	93,007	78,856
Assets held under finance leases (short leaseholds)	9,200	9,200
	<u>119,649</u>	<u>105,498</u>

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values at the date of implementation have been retained. In July 2011 freehold property was valued by Webb Valuations, who calculated a Property Insurance Reinstatement value of £234.9m on a Net Book Value of £63.2m.

Land and Buildings with a net book value of £73.2m includes assets held under finance leases with a net book value of £5.3m (2013: £5.5m), on which £0.2m of depreciation was charged during the year.

## Exchequer Funded Assets

The net book value of exchequer funded assets at the balance sheet date was £13.8m. Where assets are acquired with the aid of Exchequer funded grants, the related grants are treated as deferred capital grants and released to income over the expected useful life of the assets. (See note 13.)

Investment	Cost at 31 July 2014	Cost at 31 July 2013
Investments - University	£	£
Shares in group companies	5	5
Shares in CVCP Properties, plc	28,091	28,091
Shares in LeNSE Limited	-	50,000
Shares in Odstock Medical Ltd	1	1
	<u>28,097</u>	<u>78,097</u>

## Group Companies

	Cost at 31 July 2014	Cost at 31 July 2013
	£	£
BU Innovations Limited	2	2
BU Residences Limited	30	-
BU Enterprise Limited	1	1
	<u>33</u>	<u>3</u>





12. Creditors: amounts falling due after more than one year (continued)

The other creditor is represented by a repayable grant received for the Revolving Green Fund and a carbon reduction initiative of £0.2m. The other loan is represented by a repayable grant received for a joint HEFCE and Salix Finance Ltd initiative to reduce greenhouse gases of £63k.

In 1998 the University entered into a twenty six year finance lease on Cranborne House, a 499 bed student accommodation facility, at an initial annual rent of £0.8m which increases annually by 3.7%. After twenty six years the freehold interest in the building will be transferred to the University at no cost. £8.5m is outstanding on finance leases due after more than one year.

An analysis of the capital debt by due date of repayment on the finance lease is set out below:

	2014 £'000	2013 £'000
Repayable within 1 year	473	385
Repayable within 2-5 years	3,005	3,743
Repayable after 5 years	5,517	5,252
	<u>8,995</u>	<u>9,380</u>

An analysis of the capital debt by due date of repayment on the bank loan is set out below:

	2014 £'000	2013 £'000
Repayable within 1 year	451	435
Repayable within 2-5 years	2,001	1,492
Repayable after 5 years	21,937	22,916
	<u>24,389</u>	<u>24,843</u>

An analysis of other loans is set out below:

	2014 £'000	2013 £'000
Repayable within 1 year	63	125
Repayable within 2-5 years	-	63
	<u>63</u>	<u>188</u>

13. Deferred capital grants: Group and University

	HEFCE Grants		Other Grants	
	Buildings £'000	Equipment £'000	Donations £'000	Total £'000
At 1 August 2013	19,820	365	903	21,088
Grant received in year	797	-	50	847
Released to Income and Expenditure account (see note 1)	(1,012)	(82)	(23)	(1,117)
At 31 July 2014	<u>19,605</u>	<u>283</u>	<u>930</u>	<u>20,818</u>

Deferred capital grants represent cash received from HEFCE and private donations to finance buildings and equipment which have not yet been released to the credit of the Income and Expenditure account.

14. Revaluation Reserves: Group and University

	2014 £'000	2013 £'000
Balance at 1 August	5,716	6,117
Transfer to general reserves	(401)	(401)
Balance at 31 July	<u>5,315</u>	<u>5,716</u>

The transfer to general reserves represents an amount equal to the depreciation charged in the year on assets acquired in 1988 from Dorset County Council at the inception of Bournemouth Polytechnic (now Bournemouth University). The assets were valued in 1989 at £17.2m.

15. Revenue reserves

	Group £'000	University £'000
Balance at 1 August 2013	17,278	17,269
Retained surplus for the period	433	485
Actuarial loss on pension liability (See note 21)	(9,670)	(9,670)
Transfer from revaluation reserves	401	401
Balance at 31 July 2014	<u>8,442</u>	<u>8,485</u>

Revenue reserves include £110,778 (2013: £121,000) held for restricted purposes of student support and research projects as agreed with the donors.

Group retained surplus for year	£000
University surplus for year	485
Loss generated by subsidiary undertakings	(52)
	<u>433</u>

16. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2014 £'000	2013 £'000
Surplus after taxation	433	159
Depreciation	8,203	6,398
Loss on disposal of fixed assets	-	(363)
Deferred capital grants released	(1,117)	(1,162)
Interest receivable	(533)	(489)
Interest payable	2,864	2,601
Pension contribution less amounts charged to operating surplus	1,922	1,952
Decrease in stock	4	3
Increase in debtors	(3,445)	(839)
Increase/(Decrease) in creditors	3,195	(1,463)
Loss on disposal of investments	11	38
	<u>11,537</u>	<u>6,835</u>

## 17. Analysis of changes in consolidated financing during the year

	Finance leases £'000	Other loans £'000	Bank loans £'000	Total £'000
At 1 August	9,380	188	24,843	34,411
New leases/loans	-	-	-	-
Capital repayments	(385)	(125)	(454)	(964)
At 31 July	8,995	63	24,389	33,447

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21. Pensions (continued)

Reconciliation of opening & closing balances of the net pension deficit

	Year to 31 July 2014 £'000	Year to 31 July 2013 £'000
Deficit at beginning of the year	(28,903)	(35,614)
Service cost	(4,917)	(4,891)
Employer contributions	3,270	2,946
Unfunded pension payments	13	13
Past Service Costs		-
Other finance costs	(773)	(747)
Curtailments	(369)	(20)
Actuarial (loss)/gain	(9,570)	9,410
Deficit at end of the year	<u>(41,249)</u>	<u>(28,903)</u>

Sensitivity analysis

The following table sets out the impact of a small change in the discount rates on the defined benefit

## 23. Related Party Transactions (continued)

Bournemouth University Foundation	£
Turnover including interest received	73,535
Expenditure	(81,158)
Loss on ordinary activities	<u>7,623</u>
Reserves brought forward	7,783
Loss for year	(7,623)
Reserves carried forward	<u>160</u>

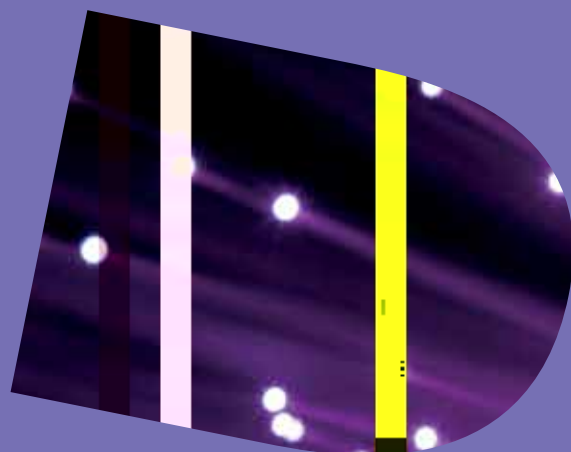
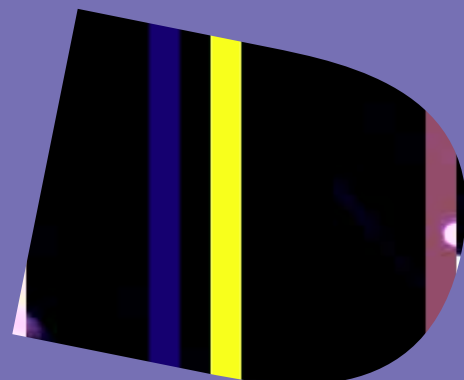
## 23. Related Party Transactions (continued)

## Students Union

Bournemouth University considers the Student Union at Bournemouth University to be a related party due to the level and nature of the transactions between organisations. During the year to 31 July 2014, the University paid a grant of £549,000 to the Union (2013: £500,000).

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