



# financialreport

2004

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# Governors' report

## Scope of the financial statements

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP) for the Further and Higher Education Sector.

The Governor's Report and Financial Statements comprise the consolidated results of the University and its wholly owned subsidiary companies. The subsidiary companies and the roles they undertake are:

Nottingham Trent Enterprises Limited supervised the operation of the subsidiaries but is now dormant;

Nottingham Consultants Limited undertakes those activities which, for legal or commercial reasons, are more appropriately channelled through a limited company and also acts as a catalyst and facilitator for commercial activities throughout the University;

Nottingham Law School Limited provides a wide range of courses for the legal profession;

Nottingham Trent University Charitable Trust is an unincorporated body and provides library buildings for academic use;

Nottingham Trent Residences 1 PLC provided management services to the former Business Expansion Scheme (BES) property but is not now trading; and

The Education Support Centre (UK) Limited provides the higher and further education sectors with expert technical help and advice on Microsoft technologies.

All subsidiaries Gift Aid the whole of any taxable profits to the University.

In addition, these Financial Statements contain the accounts of Nottingham Trent University Union of Students, following implementation of the Education Act 1994.

## Results for the Year

The Income & Expenditure Account shows an historical cost surplus of £97,000 for the year. Continued growth in commercial revenues, the surplus arising from the construction of student residencies and strong cost control have created the opportunity for the University to accelerate expenditure on the Estates and Information Technology strategies and remain in surplus.

The Summary position is shown below:

	2004 £m	2003 £m	Increase %
Income	124.3	116.6	6.6
Historical Cost Surplus after Exceptional items and Surpluses on Disposals	0.1	0.9	-
Accumulated Historical Cost Surplus	50.5	50.4	0.2
Net Assets	120.8	118.8	1.7

## Treasury Management

There has been a net cash inflow this financial year of £339,000 and an increase in funds invested of £1,340,000 after accounting for the University continuing to demonstrate its commitment to improvement of the estate and infrastructure with capital expenditure of £9.8m.

At 31 July 2004, net cash and short-term deposits totalled £29.9m. Non LEA long-term debt, resulting from the construction of the Library, amounted to £4.2m.

The University maintains a firm policy with regard to debtors. In respect of creditors, the University ensures prompt payment to suppliers and, subject to any other agreed contractual conditions, will normally make payment within 30 days following the date of the invoice.

## Estate and Capital Developments

The construction of a 446 room student residence on the City campus, providing further first rate facilities for our students, was completed during this financial year and welcomed its first students in October.

New accommodation for Nottingham Business School and Nottingham Law School has been acquired and fitted out to the highest specifications in order to support the continued success of both schools in professional training and education. This facility, in the City's professional quarter, welcomed its first clients in October.

In addition, £0.5m has been spent on improving disabled access to University facilities financially supported by HEFCE special initiative funding.

## Future Developments

The University launched its Strategic Plan 2004 -2010 in March of this year. Our mission is to deliver education and research that shapes lives and society. Our aims are:

1. To develop confident and ambitious graduates equipped to shape society;
2. To provide education that promotes both intellectual initiative and the highest academic standards to prepare students for life and career;
3. To be the university of choice for business, industry and the professions in our areas of expertise;
4. To be recognised both nationally and internationally for the effectiveness of our teaching and the relevance of our research;
5. To transform the learning and working environment to create an inspiring and innovative culture;
6. To have the courage and the will to implement change.

It is this mission and these aims that are and will continue to drive an enormous amount of development activity at NTU over the course of the next few years.

Educationally, the undergraduate and postgraduate course portfolios undergo rigorous and continuous review ensuring that the highest academic standards are maintained and students are well prepared for their lives and careers following graduation. The university places great importance on its outstanding graduate employment record. The latest official survey on the first destinations of leavers showed that some 96 per cent of full-time students who graduated from the university gained jobs or went onto further study within six months.

Research and commercial activities continue to grow on the strength of the effectiveness of our teaching and relevance of our research. Postgraduate teaching and contract research are an integral part of the NTU offering and an important source of revenue.

In order to secure the continued success of NTU over the long-term, the University will make a significant investment in its physical environment over the next five years. The City campus will be transformed primarily through the regeneration of its two principal buildings, the Grade 2 listed Arkwright building and the Grade 2\* listed Newton building. In addition many other buildings will be extensively refurbished and enhanced. Both the Clifton and Brackenhurst campuses will see new buildings erected to create first rate teaching and residential facilities.

## Conclusion

The University is in a strong financial position with good liquidity and minimal debt. This provides the financial platform required to deliver our ambitious strategy and build on Nottingham University's history of delivering education and research that make a real difference to peoples lives.

## Membership

The members of the Board during the year to 31 July 2004, unless otherwise indicated, were:

### Independent members

Mr J Peace, Chairman  
Professor AP Forster, Deputy Chairman  
Mr P Bowden  
Mr R Bullock  
Mr MJ Cooper  
Ms S Ford-Hutchinson  
Mr M Freyd  
Mr RW Ruse  
Mr JJH Watson

### Educationalist member

Mrs M Puckey

### Academic board member

Dr NAA Macfarlane

### Student nominee

Mr MJ Wallace

### General staff member

Mr CA France

### Local authority nominees

City Councillor JN Collins  
County Councillor R Needham

### Vice-Chancellor

Professor R Cowell DL	- retired 30 September 2003
Professor NT Gorman	- appointed 1 October 2003

### Finance & Operations Director

Mr JS Jackson	- appointed 20 October 2003
Mr JA Lacey (Acting Director)	- retired 19 October 2003



Mr J Peace  
Chairman



Prof NT Gorman  
Vice-Chancellor

13 December 2004

# The University's structure of Corporate Governance

The University's Board of Governors comprises lay/independent and academic members appointed under the Instrument and Articles of Government of the University, all of the lay/independent members being non-executive. The roles of Chairman and Deputy Chairman of the Board are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specially reserved to the Board of Governors for decision are set out in the Articles of Government of the University and in the Financial Memoranda with the Higher Education Funding Council for England, the Teacher Training Agency and the Learning & Skills Council. The Board holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from the Chief Executive and senior managers on the day-to-day operations of the University's business and the affairs of its subsidiary companies. The Board meets five times a year and has established several committees, including a Membership Nominations Committee, a Remuneration Committee, an Audit Committee and a Finance & General Purposes Committee. All of these Committees are formally constituted with terms of reference and comprise lay/independent members of the Board of Governors, one of whom is the Chairman and, where appropriate, non-Board co-opted members with specific expertise. Some of these Committees also include members of the University's Senior Management team. Reports on specific issues and formal minutes from such meetings are submitted to the Board of Governors.

The Membership Nominations Committee invites and considers nominations for appointment and reappointment within the Board's membership and appointments within the Board's support structure.

The Remuneration Committee considers the remuneration and conditions of service of senior postholders on behalf of the Board.

The Audit Committee normally meets three times a year, with both External and Internal Auditors present. The University's Internal Audit Service operates in accordance with the HEFCE Audit Code of Practice and prepares a 4-year strategic plan. This is reviewed each year, amended where appropriate and an annual operating plan prepared for consideration by the Audit Committee and approval by the Board of Governors. The Audit Committee, against the framework of the agreed plans, considers Internal Audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England, as they affect the University's business, and monitors adherence with the regulatory requirements. The Committee meets with the External Auditors on their own for independent discussions.

The Finance & General Purposes Committee acts on behalf of the Board of Governors in reviewing the draft consolidated financial statements and associated External Auditors' reports, the financial position of subsidiary companies and makes recommendations to the Board on:

- The Annual Budget and budgetary control;
- Treasury Management policies and procedures;
- Financial Regulations;
- Strategic planning as regards student numbers, staff, estate and financial resources and IT strategies;
- Risk Management processes.

It also sits as the Board's Employment Policy Committee, dealing with Employment Policy matters through a discrete order of business.

# The University's statement of Internal Control

1. As the governing body of Nottingham Trent University, the Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the Instrument and Articles of Government and the Financial Memorandum with HEFCE.
2. The system of internal control is designed to manage rather than to eliminate the risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness.
3. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. It is the Board's opinion that this process has been in place for the year ended 31 July 2004 and up to the date of approval of the financial statements and accords with HEFCE guidance.
4. The Board of Governors has responsibility for reviewing the effectiveness of the system of internal control and has established the following processes:
  - a) Consideration of the plans and strategic direction of the University is included on the agenda of all meetings of the Board of Governors.
  - b) The Board receives periodic reports from the Chairman of the Audit Committee concerning internal control.
  - c) The Senior Management Team is responsible for risk management within the University. In addition the risk management function has been resourced by the appointment of a Project Sponsor, Risk Manager and Risk Management Co-ordinator. Risk Management has been incorporated into the management and decision making structures of the University.
  - d) The University has an Internal Audit Service that operates to standards defined in the HEFCE Accountability and Audit Code of Practice. It submits regular reports to the University's Audit Committee on the adequacy and effectiveness of the system of internal control and the management of risks, together with recommendations for improvement.
  - e) A system of key performance and risk indicators has been developed.
  - f) A robust risk prioritisation methodology has been established.
  - g) An organisation-wide risk register is maintained, containing improvement actions and timescales. Risk owners are required to regularly update the Register on the steps they are taking to manage risk in their area of responsibility, including progress reports on key projects.
5. The Board's review of the effectiveness of the system of internal control is informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, the work of the Internal Audit Service and by comments made by the external auditors in their management letter and other reports.

# Responsibilities of the Board of Governors

In accordance with the Education Reform Act, the Board of Governors of the University is responsible for the administration and management of the affairs of the University and the group and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and the group and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act, the Statement of Recommended Practice on Accounting in Higher Education Institutions and relevant accounting standards. In addition, within the terms and conditions of Financial Memoranda agreed between the Higher Education Funding Council for England ('HEFCE'), the Learning & Skills Council ('LSC') the Teacher Training Agency ('TTA') and the Board of Governors, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the group and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University and the group will continue in operation.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from the HEFCE, the LSC and the TTA are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Councils or the TTA Terms and Conditions of Funding and any other conditions which the Funding Councils and Teacher Training Agency may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and the group and prevent and detect fraud;
- secure the economical, efficient and effective management of the University and the group's resources and expenditure.



# Independent auditors' report to the Board of Governors of Nottingham Trent University

We have audited the financial statements on pages 10 to 39, which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of the University's Board of Governors and the auditors

The University's Board of Governors are responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, the Teacher Training Agency and the Learning and Skills Council.

We also report to you if, in our opinion, the Board of Governors' Report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Governors' Report (including the corporate governance statement), and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of Opinion

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

## Opinion

- The financial statements give a true and fair view of the state of affairs of the University and the group as at 31 July 2004 and of the group's deficit of income over expenditure, recognised gains and losses and cashflows for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions;

- In all material respects, income from the Higher Education Funding Council for England, the Teacher Training Agency and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2004 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2004 has been applied in accordance with the University's statutes and, where appropriate, with the financial memoranda (00/25 and 03/54) with the Higher Education Funding Council for England, the funding agreement with the Teacher Training Agency and the funding agreement with the Learning and Skills Council.

13 December 2004

KPMG LLP

KPMG LLP  
Chartered Accountants  
Registered Auditor

KPMG LLP  
St Nicholas House  
Park Row  
NOTTINGHAM  
NG1 6FQ

# Statement of principal accounting policies

## Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions ('SORP') and other applicable Accounting Standards.

## Basis of consolidation

The consolidated financial statements incorporate the financial statements of the University and its subsidiaries Nottingham Trent Enterprises Limited, Nottingham Consultants Limited, Nottingham Law School Limited, The Nottingham Trent University Charitable Trust, Nottingham Trent Residences 1 PLC and the Education Support Centre (UK) Limited. The consolidated financial statements also include the results of Nottingham Trent University Union of Students on the basis that the University has the associated risks and rewards. A separate income and expenditure account dealing with the results of the University has not been presented. The financial statements include a one third share of the results of BioCity Nottingham Limited, a joint venture company set up and operated with the University of Nottingham and EMDA. The results of any other undertakings in which the University has a participating interest have been excluded from the consolidation on the grounds that they are not material to a true and fair view.

## Recognition of income

Income from specific donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account on a receivable basis.

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.

## Pension schemes

Retirement benefits for employees of the University are provided by defined benefit schemes which are funded by contributions from the University and employees. Payments are made to the Teachers Pension Scheme ('TPS') for academic staff and Nottinghamshire County Council Pension Fund ('NCCPF') for non-academic staff. These are both independently administered schemes.

Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of the pensions over the employees' working lives with the University.

## Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income and expenditure account.

## Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

## Tangible fixed assets

### Land and buildings

As a consequence of the Education Reform Act 1988, the freehold and leasehold interests in properties occupied by the University previously held by the respective Local Education Authorities ('LEAs') were formally transferred to the University with effect from 1 April 1989. The land and buildings have been valued by Savills Land & Property Limited at 31 July 1997, in accordance with Practice Statement 4.8 of the RICS Appraisal and Valuation Manual issued as at 1 January 1996 as amended (Depreciated Replacement Cost basis). Certain properties, where appropriate, have been valued in accordance with Practice Statement 4.2 of the Manual (Open Market Value basis).

### Capitalisation level

Fixed asset additions are capitalised where the cost of such assets exceeds £10,000. Items costing less than this amount are written off in the year of purchase.

# Statement of principal accounting policies (continued)

## Depreciation

Depreciation is calculated to write off the cost or valuation of assets over their expected useful lives on a straight-line basis. The principal expected useful lives are:

Buildings	10 to 80 years
Equipment	1 to 20 years
Fixtures and fittings	10 years
Vehicles	4 years

No depreciation has been provided for on freehold land.

## Investments

Investments are valued at cost less provision for diminution in value.

## Maintenance of premises

A long term maintenance plan covering both the residential and non residential estate has been formally approved by the University and came into effect from the financial year 1997/98. Costs will be charged to the income and expenditure account.

## Stock

Stock has been valued at the lower of cost and net realisable value.

## Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits held as part of the University's treasury management activities.

## 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 Taxes Act 1988. Accordingly, it is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the Taxes Act 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. Nottingham Trent Enterprises Limited, Nottingham Consultants Limited and its subsidiaries, Nottingham Law School Limited, Nottingham Trent Residences 1 Plc, NTU Charitable Trust and the Education Support Centre (UK) Limited are not subject to these exemptions and are liable for corporation tax on profits or gains arising. However, under a gift aid arrangement with the University, Nottingham Consultants Limited and its subsidiaries and Nottingham Law School Limited, transfer all their taxable profits to the University to minimise the payment of corporation tax.

The University receives no similar exemption in respect of value added tax.

# Accounts

## Consolidated income and expenditure account

for the year ended 31 July 2004

Income	Note	2004 £000	2003 £000
Funding council grants	1	60,086	58,467
Tuition fees and education contracts	2	41,177	37,039
Research grants and contracts	3	3,090	2,879
Other income	4	18,668	16,969
Endowment and investment income	5	1,313	1,195
<b>Total income</b>		<b>124,334</b>	<b>116,549</b>
<b>Expenditure</b>			
Staff costs	6	82,069	75,233
Exceptional restructuring costs	18	-	955
Other operating expenses	7	37,000	36,187
Depreciation	11	6,474	6,150
Interest payable	8	944	1,049
<b>Total expenditure</b>	<b>9</b>	<b>126,487</b>	<b>119,574</b>
Deficit on continuing operations after depreciation of assets at valuation		(2,153)	(3,025)
Exceptional gain on donated asset		845	2,500
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	10	(1,308)	(525)

## Income and expenditure account

	Total 2004 £000	Total 2003 £000
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	(1,308)	(525)
Release from revaluation reserve	1,405	1,432
Historical cost surplus after tax	97	907
Balance at 1 August	50,410	49,503
<b>Balance at 31 July</b>	<b>50,507</b>	<b>50,410</b>

In both the current and preceding years, the group made no material acquisitions.

# Accounts

## Consolidated statement of total recognised gains and losses

for the year ended 31 July 2004

Income	Note	2004 £000	2003 £000
Deficit after depreciation of assets at valuation and tax		(1,308)	(525)
HEFCE reimbursement of principal element of debt charges		<u>513</u>	<u>484</u>
Total recognised losses relating to the year		<u>(795)</u>	<u>(41)</u>

## Consolidated statement of historical cost surpluses and deficits

for the year ended 31 July 2004

	2004 £000	2003 £000
Deficit after depreciation of assets at valuation and tax	(1,308)	(525)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>1,405</u>	<u>1,432</u>
Historical cost surplus after tax	<u>97</u>	<u>907</u>

## Balance sheets

as at 31 July 2004

	Note	Group 2004 £000	University 2004 £000	Group 2003 £000	University 2003 £000
Fixed assets					
Tangible assets	11	126,425	122,616	122,320	118,599
Investments	12	559	2,006	595	1,779
		<u>126,984</u>	<u>124,622</u>	<u>122,915</u>	<u>120,378</u>
Current assets					
Stock and stores in hand	13	583	453	644	471
Debtors: due within one year	14	6,507	10,913	6,371	10,069
Debtors: due after more than one year	15	-	1,245	-	1,674
		6,507	12,158	6,371	11,743
Short term deposits		28,590	28,258	27,250	27,163
Cash at bank and in hand		1,272	759	941	518
		<u>36,952</u>	<u>41,628</u>	<u>35,206</u>	<u>39,895</u>
Creditors: amounts falling due within one year	16	(17,192)	(16,584)	(13,329)	(12,708)
Net current assets		<u>19,760</u>	<u>25,044</u>	<u>21,877</u>	<u>27,187</u>
Total assets less current liabilities		<u>146,744</u>	<u>149,666</u>	<u>144,792</u>	<u>147,565</u>
Creditors: amounts falling due after more than one year	17	(12,928)	(13,129)	(13,676)	(14,041)
Provisions for liabilities and charges	18	(13,008)	(13,008)	(12,298)	(12,298)
Net assets		<u>120,808</u>	<u>123,529</u>	<u>118,818</u>	<u>121,226</u>
Represented by:					
Deferred capital grants	19	<u>17,102</u>	<u>17,102</u>	<u>14,317</u>	<u>14,317</u>
Reserves					
Revaluation reserve	20	53,139	54,519	54,031	55,411
Capital reserve	21	60	-	60	-
Income and expenditure account	22	<u>50,507</u>	<u>51,908</u>	<u>50,410</u>	<u>51,498</u>
Total reserves		<u>103,706</u>	<u>106,427</u>	<u>104,501</u>	<u>106,909</u>
Total funds		<u>120,808</u>	<u>123,529</u>	<u>118,818</u>	<u>121,226</u>

The financial statements on pages 10 to 39 were approved by the Board of Governors on 13 December 2004 and signed on its behalf by:



Mr J Peace  
Chairman



Prof NT Gorman  
Vice-Chancellor

## Consolidated cash flow statement

for the year ended 31 July 2004

	Note	2004 £000	2003 £000
Net cash inflow from operating activities	23	7,340	4,303
Returns on investments and servicing of finance	24	1,244	1,039
Capital expenditure and financial investment	25	(6,650)	(6,865)
Cash inflow/(outflow) before management of liquid resources and financing		1,934	(1,523)
Management of liquid resources	26	(1,340)	1,750
Financing	27	(255)	(301)
Increase/(decrease) in cash	28	339	(74)

## Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2004

		2004 £000	2003 £000
Increase/(decrease) in cash in the period		339	(74)
Increase/(decrease) in short term deposits		1,340	(1,750)
Repayment of debt		768	785
Change in net funds		2,447	(1,039)
Net funds at 1 August		13,741	14,780
Net funds at 31 July	28	16,188	13,741

# Notes

(forming part of the financial statements)

1 Funding council grants					
	HEFCE £000	LSC £000	TTA £000	2004 Total £000	2003 Total £000
Recurrent grant	48,957	1,389	2,809	53,155	50,901
Specific grants					
Management development fund	-	-	-	-	134
TTA Initiatives	-	-	83	83	105
Reimbursement of debt charges	745	-	-	745	805
Research	2,361	-	-	2,361	2,205
Inherited liabilities – rents	358	-	-	358	358
Rewarding and developing staff	1,498	-	-	1,498	1,469
Collaboration and restructuring	636	-	-	636	1,269
Fund for the development of teaching and learning	359	-	-	359	410
Special learning difficulties and disabilities	43	-	-	43	29
LAN/MAN	-	-	-	-	5
Active community fund	178	-	-	178	130
Foundation degrees	27	-	-	27	21
Reachout	194	-	-	194	299
Summer Schools	2	-	-	2	51
Pricing and costing	-	-	-	-	13
Deferred capital grants released in year					
Buildings (note 19)	350	-	-	350	229
Equipment (note 19)	97	-	-	97	34
	<u>55,805</u>	<u>1,389</u>	<u>2,892</u>	<u>60,086</u>	<u>58,467</u>

2 Tuition Fees and Education Contracts		
	2004 £000	2003 £000
Full-time students	17,066	15,998
Full-time students charged overseas fees	5,110	3,911
Part-time fees	1,021	994
Short course fees	17,980	16,136
	<u>41,177</u>	<u>37,039</u>



# Notes

3 Research grants and contracts	2004 £000	2003 £000
Research councils	789	656
UK based charities	476	537
European Commission	200	353
Other grants and contracts	<u>1,625</u>	<u>1,333</u>
	<u>3,090</u>	<u>2,879</u>

  

4 Other income	2004 £000	2003 £000
Residences, catering and conferences	2,828	2,525
Other income generating activities	14,511	12,800
Released from deferred capital grants (note 19)	107	82
Other income	<u>1,222</u>	<u>1,562</u>
	<u>18,668</u>	<u>16,969</u>

  

5 Endowment and Investment Income	2004 £000	2003 £000
Income from short term investments	1,311	1,191
Other interest receivable	<u>2</u>	<u>4</u>
	<u>1,313</u>	<u>1,195</u>

# Notes

6 Staff costs	2004 £000	2003 £000
Employee costs:		
Wages and salaries	67,583	63,298
Social security costs	5,387	4,802
Other pension costs	<u>9,099</u>	<u>7,133</u>
	<u>82,069</u>	<u>75,233</u>

The average weekly number of persons (including senior post-holders) employed by the University during the period, expressed as full time equivalents, was:

	2004 Number	2003 Number
Teaching departments	1,035	1,058
Teaching support services	688	763
Other support services	41	34
Administration and central services	300	213
Premises	269	263
Other	<u>25</u>	<u>25</u>
	<u>2,358</u>	<u>2,356</u>

Emoluments of the Vice Chancellor and higher paid employees:

The figures shown below include salaries and performance related pay paid under a system based on independent advice. They also include other benefits assessed as income for taxation purposes.

	2004 £000	2003 £000
Emoluments of the previous Vice Chancellor excluding pension contributions to 30 September 2003	28	169
Arrears of 2002 pay award relating to the 2001/02 financial year	<u>-</u>	<u>3</u>
	28	172
The University's pension contributions including contributions to the TPS	<u>4</u>	<u>17</u>
Emoluments of the current Vice Chancellor excluding pension contributions from 1 October 2003	183	-
The University's pension contributions including contributions to the USS	<u>12</u>	<u>-</u>

# Notes

## 6 Staff costs (continued)

Remuneration of higher paid staff, other than the Vice-Chancellor and excluding employers pension contributions:

	Total 2004 £000	Total 2003 £000
£70,001 - £80,000	9	14
£80,001 - £90,000	6	3
£90,001 - £100,000	-	-
£100,001 - £110,000	<u>3</u>	<u>2</u>

No remuneration was paid to the Chairman of the Board of Governors nor to other non-executive members of the Board and its subsidiary undertakings.

Compensation for loss of office paid to a former senior post-holder/higher paid employee

	2004 £000	2003 £000
Compensation paid and payable to the former post-holder	51	-
Estimated value of other benefits, including provisions for pension benefits	<u>95</u>	<u>-</u>

The estimated value of other benefits has been calculated in accordance with Statement of Standard Accounting Practice 24.

# Notes

7 Other operating expenses	2004 £000	2003 £000
Consumables and laboratory expenses	7,072	7,667
Books and periodicals	1,542	1,395
Heat, light, water and power	2,044	1,822
Repairs and general maintenance	3,177	2,382
Rents and accommodation hire	2,654	2,679
Food and catering costs	1,012	850
Auditors' remuneration*	47	46
Auditors' remuneration in respect of non-audit services	74	44
Equipment operating lease rentals	724	615
Course costs, professional and consultancy fees	8,182	8,676
Transport, travel and subsistence	2,608	2,452
Advertising, marketing, telephone and postage	2,491	2,215
Franchising	961	1,160
Rates	380	385
Insurance	455	488
Staff development and agency costs	1,470	959
Other expenses	2,107	2,352
	<u>37,000</u>	<u>36,187</u>

\* Includes £39,950 in relation to the University and £7,520 in relation to the subsidiary companies.

8 Interest payable	2004 £000	2003 £000
Bank and other loans wholly repayable within five years	199	244
Loans not wholly repayable within five years	745	805
	<u>944</u>	<u>1,049</u>

# Notes

9 Analysis of expenditure by activity					
	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	59,223	1,191	18,769	-	79,183
Academic services	8,084	1,050	5,384	199	14,717
Research grants and contracts	1,948	-	1,148	-	3,096
Residences, catering and conferences	1,300	59	1,407	-	2,766
Premises	4,335	3,004	5,472	745	13,556
Administration	5,624	948	3,401	-	9,973
Other expenses	1,555	222	1,419	-	3,196
Total per income and expenditure account	<u>82,069</u>	<u>6,474</u>	<u>37,000</u>	<u>944</u>	<u>126,487</u>
£000					
The depreciation has been funded by:					
Deferred capital grants released (note 19)		554			
Revaluation reserve released (note 20)		1,405			
General income		<u>4,515</u>			
		<u>6,474</u>			

# Notes

## 10 Deficit on continuing operations for the period

The deficit on continuing operations for the period is made up as follows:	2004 £000	2003 £000
University deficit for the period	(2,013)	(1,072)
Surplus generated by subsidiary undertakings and transferred to the University under a gift aid payment plus surplus generated by the Student's Union	741	694
Share of loss in joint venture	(36)	(147)
	<u>(1,308)</u>	<u>(525)</u>

## 11 Tangible assets

	Freehold land and buildings £000	Fixtures and fittings £000	Group Furniture and equipment £000	Assets under course of construction £000	Total £000
Cost or valuation:					
At 1 August 2003	153,906	2,577	48,354	-	204,837
Additions	4,507	22	4,980	1,070	10,579
At 31 July 2004	<u>158,413</u>	<u>2,599</u>	<u>53,334</u>	<u>1,070</u>	<u>215,416</u>
Accumulated depreciation:					
At 1 August 2003	40,196	1,023	41,298	-	82,517
Charge for the year	2,956	183	3,335	-	6,474
At 31 July 2004	<u>43,152</u>	<u>1,206</u>	<u>44,633</u>	<u>-</u>	<u>88,991</u>
Net book value:					
At 31 July 2004	<u>115,261</u>	<u>1,393</u>	<u>8,701</u>	<u>1,070</u>	<u>126,425</u>
At 31 July 2003	<u>113,710</u>	<u>1,554</u>	<u>7,056</u>	<u>-</u>	<u>122,320</u>

	Freehold land and buildings £000	University Furniture and equipment £000	Assets under course of construction £000	Total £000
Cost or valuation:				
At 1 August 2003	151,343	45,563	-	196,906
Additions	4,098	4,622	1,070	9,790
At 31 July 2004	<u>155,441</u>	<u>50,185</u>	<u>1,070</u>	<u>206,696</u>
Accumulated depreciation:				
At 1 August 2003	39,204	39,103	-	78,307
Charge for the year	2,769	3,004	-	5,773
At 31 July 2004	<u>41,973</u>	<u>42,107</u>	<u>-</u>	<u>84,080</u>
Net book value:				
At 31 July 2004	<u>113,468</u>	<u>8,078</u>	<u>1,070</u>	<u>122,616</u>
At 31 July 2003	<u>112,139</u>	<u>6,460</u>	<u>-</u>	<u>118,599</u>

# Notes

Freehold land with a book value of £9,692,000 (2003: £9,692,000) (Group and University) is not depreciated. In accordance with the current RICS practice notes, the land element of the University's estate has been valued net of the costs of demolishing any buildings on that land.

On 2 August 1999 the University signed a deed preserving the 'further education asset base' inherited following its merger with Brackenhurst College on 1 April 1999. In the event of a total failure to preserve the asset base, the Learning & Skills Council shall have the right to call for the repayment of the 'further education asset base', being the greater of the value of indexed-based 'chattels' less 'liabilities' or the total cost of replacing the land asset with accommodation and facilities of comparable quality, size and location.

The University has entered into a lease with a developer for the provision of a hotel/gym complex on its Goldsmith Square car park. The lease is for 50 years with breaks at 15 and 25 years. At the conclusion of the lease, the whole of the property will revert to the University.

The University has entered into two lease agreements for the majority of its student residences, comprising some 2,775 bedrooms, to Jarvis UPP Nottingham Limited. Over 100 members of staff were transferred to the company and under the agreement full TUPE rights were protected. The company is now responsible for managing and operating the halls in close co-operation with the University. The leases are for 33 and 32 years respectively and at the conclusion of the leases the properties will revert to the University. This reversionary interest is included within fixed assets at valuation.

Land and buildings with a net book value of £12,776,000 have been financed by exchequer funds. Should these assets be sold, the University may be liable, under the terms of the financial memorandum with the Council, to surrender the proceeds.

The University has entered a joint venture agreement and formed BioCity Nottingham Limited with the University of Nottingham and EMDA. The aims of the joint venture are the establishment and operation of a Healthcare and Bioscience Innovation Centre for the purposes of research, development, healthcare and related educational use. The building for the joint venture was donated to the University by BASF plc and is included in freehold land and buildings additions at an open market value of £2,500,000 as determined by an independent valuation carried out during March 2001.

# Notes

## 12 Investments

	Other investments £000	Listed investments £000	Group Loans £000	Participating Interests £000	Total £000
Cost:					
At 1 August 2003	58	34	250	253	595
Additions	-	-	-	-	-
Disposals	-	-	-	(36)	(36)
At 31 July 2004	<u>58</u>	<u>34</u>	<u>250</u>	<u>217</u>	<u>559</u>

	University				
	Shares in group undertakings £000	Other investments £000	Listed investments £000	Loans £000	Total £000
Cost:					
At 1 August 2003	1,095	-	34	650	1,779
Additions	227	-	-	-	227
At 31 July 2004	<u>1,322</u>	<u>-</u>	<u>34</u>	<u>650</u>	<u>2,006</u>

The University owns the total issued share capital of 2 ordinary shares of £1 in Nottingham Trent Enterprises Limited, 205,000 ordinary shares of £1 in Nottingham Consultants Limited, 1,117,000 ordinary shares of £1 in Nottingham Law School Limited, 2 ordinary shares of £1 in Nottingham Trent Residences 1 PLC and is the sole subscriber to the Education Support Centre (UK)

Limited, all companies being registered in Great Britain and incorporated in England and Wales. The University also owns 19% of the issued share capital of IC Routing Limited. Listed investments represent investments listed on the London Stock Exchange.

The University's participating interest relates to the University's share of the net assets in the joint venture arrangement entered into by the University during the year to form Biocity Nottingham Limited with the University of Nottingham and EMDA as described within note 11 above. The joint venture has a year-end of 31 March.

The University's share of the value of the gross assets and liabilities in the joint venture are as follows:

	2004 £000	2003 £000
Gross assets	253	805
Gross liabilities	<u>(36)</u>	<u>(552)</u>
Net assets	<u>217</u>	<u>253</u>



# Notes

## 12 Investments (continued)

The group holds shares in a number of spin out companies and companies which have been set up through the HIVE. The details of the percentage shareholdings and cost of these investments is shown in the table below. The group has chosen not to attribute any value to these investments within the financial statements on the basis of prudence as these companies have only recently started to trade.

Company name	Percentage shareholding %	Cost of investment £	Value of investment £
Loreus Limited	10	10	-
Gorilla UK Limited	8	8	-
Desivent Limited	9	9	-
Heath Reid & People Limited	10	10	-
Mufti Costumes Limited	10	10	-
Wiresoft Limited	10	10	-
Prime Principle Limited	10	10	-
Pseudo Hero Limited	7	7	-

The above subsidiaries are all incorporated in Great Britain.

# Notes

13 Stock and stores in hand	Group 2004 £000	University 2004 £000	Group 2003 £000	University 2003 £000
Consumables	359	359	405	405
Goods for resale	224	94	239	66
	<u>583</u>	<u>453</u>	<u>644</u>	<u>471</u>

14 Debtors: amounts falling due within one year	Group 2004 £000	University 2004 £000	Group 2003 £000	University 2003 £000
Trade debtors	3,717	2,345	3,312	2,078
Other debtors	3	-	456	452
Amounts owed by subsidiary undertakings	-	6,498	-	5,607
Loan to Union of Students	-	91	-	172
Prepayments and accrued income	2,242	1,979	1,976	1,760
VAT recoverable	545	-	627	-
	<u>6,507</u>	<u>10,913</u>	<u>6,371</u>	<u>10,069</u>

Interest is receivable on the unsecured loans to subsidiary undertakings at prevailing rates of interest and the loans are repayable on demand.

15 Debtors: amounts falling due after more than one year	Group 2004 £000	University 2004 £000	Group 2003 £000	University 2003 £000
Amounts owed by subsidiary undertakings (note 14)	-	1,245	-	1,674
	<u>-</u>	<u>1,245</u>	<u>-</u>	<u>1,674</u>

# Notes

16 Creditors: amounts falling due within one year	Group 2004 £000	University 2004 £000	Group 2003 £000	University 2003 £000
Loans from LEAs	536	536	511	511
Bank loan	210	210	255	210
Bank overdraft	-	-	8	-
General creditors	2,625	2,340	1,972	1,760
Amounts owed to subsidiary undertakings	-	241	-	198
Other creditors including tax and social security	3,233	2,999	3,053	3,022
Funding councils holdback	-	-	377	377
Accruals and deferred income	10,588	10,258	7,153	6,630
	<u>17,192</u>	<u>16,584</u>	<u>13,329</u>	<u>12,708</u>

  

17 Creditors: amounts falling due after more than one year	Group 2004 £000	University 2004 £000	Group 2003 £000	University 2003 £000
Loans from LEAs				
Repayable between one and five years	1,843	1,843	2,044	2,044
Repayable in six years or more	6,877	6,877	7,214	7,214
	<u>8,720</u>	<u>8,720</u>	<u>9,258</u>	<u>9,258</u>
Bank loan	4,208	4,208	4,418	4,418
Amounts owed to subsidiary undertakings	-	201	-	365
	<u>12,928</u>	<u>13,129</u>	<u>13,676</u>	<u>14,041</u>

All LEA loans are unsecured and are repayable by installments over various periods up to a maximum of 55 years. Interest is charged on the preceding 31 March outstanding balance at the average external cost of borrowing in the financial year ended 31 March.

A loan for the construction of a library is secured on the relevant property and is repayable over a 25 year period at variable rates of interest.

# Notes

18 Provisions for liabilities and charges	Group and University		
	Restructuring £000	Pensions £000	Total £000
At 1 August 2003	4,391	7,907	12,298
Transfer from restructuring provision	-	4,156	4,156
Charge for the year	-	1,662	1,662
	<u>4,391</u>	<u>13,725</u>	<u>18,116</u>
Transfer to pension provision	(4,156)	-	(4,156)
Utilised in year	<u>(235)</u>	<u>(717)</u>	<u>(952)</u>
<b>At 31 July 2004</b>	<b><u>-</u></b>	<b><u>13,008</u></b>	<b><u>13,008</u></b>

The restructuring provision relates to a staff reprofiling exercise. Refer to note 30 for an explanation of the nature of the pensions provision.

# Notes

19 Deferred capital grants	Group and University		
	Funding councils £000	Other grants £000	Total £000
At 1 August 2003			
Buildings	10,667	3,356	14,023
Equipment	276	18	294
Total	<u>10,943</u>	<u>3,374</u>	<u>14,317</u>
Cash received			
Buildings	2,460	-	2,460
Equipment	629	250	879
Total	<u>3,089</u>	<u>250</u>	<u>3,339</u>
Released to income and expenditure account			
Buildings (notes 1 and 4)	350	76	426
Equipment (notes 1 and 4)	97	31	128
Total	<u>447</u>	<u>107</u>	<u>554</u>
At 31 July 2004			
Buildings	12,777	3,280	16,057
Equipment	808	237	1,045
Total	<u>13,585</u>	<u>3,517</u>	<u>17,102</u>

# Notes

20 Revaluation reserve	Group 2004 £000	University 2004 £000	Group 2003 £000	University 2003 £000
Revaluations				
At 1 August	78,515	79,895	78,515	79,895
Revaluation in year	-	-	-	-
Eliminated on disposals	-	-	-	-
At 31 July	<u>78,515</u>	<u>79,895</u>	<u>78,515</u>	<u>79,895</u>
Contributions to depreciation				
At 1 August	24,484	24,484	23,536	23,536
Released in year	1,405	1,405	1,432	1,432
Less: reimbursed by HEFCE	(513)	(513)	(484)	(484)
At 31 July	<u>25,376</u>	<u>25,376</u>	<u>24,484</u>	<u>24,484</u>
Net revaluation amount				
At 31 July 2004	<u>53,139</u>	<u>54,519</u>	<u>54,031</u>	<u>55,411</u>

21 Capital reserve	Group 2004 £000	University 2004 £000	Group 2003 £000	University 2003 £000
At 1 August 2003 and 31 July 2004	<u>60</u>	<u>-</u>	<u>60</u>	<u>-</u>

The capital reserve arose on consolidation of the Union of Students.

# Notes

## 22 Consolidated income and expenditure account

The group income and expenditure account of £50,507,000 (2003: £50,410,000) includes funds which are earmarked for specific purposes as follows:

	2004 £000	2003 £000
Uncommitted contingency reserve	6,000	6,000
Depreciation	19,018	18,106
Departmental and specific projects	10,437	11,252
Developmental reserve	15,052	15,052
	<u>50,507</u>	<u>50,410</u>

The Developmental Reserve arose from the surpluses on the disposal of Clifton Hall and the discontinued operations and after reinstating the uncommitted contingency reserve to £6m.

## 23 Reconciliation of consolidated operating deficit to net cash from operating activities

	2004 £000	2003 £000
Deficit after depreciation of assets at valuation and after tax	(2,153)	(3,025)
Release of capital grant (note 19)	(554)	(345)
Depreciation (note 11)	6,474	6,150
Decrease in stock	61	28
(Increase)/decrease in debtors	(194)	805
Increase/(decrease) in creditors	3,329	(624)
Increase in provisions	710	1,313
Interest payable	944	1,049
Interest receivable	(1,313)	(1,195)
Share of loss in joint venture	36	147
Net cash inflow from operating activities	<u>7,340</u>	<u>4,303</u>

## 24 Returns on investments and servicing of finance

	2004 £000	2003 £000
Income from short term investments	1,369	1,232
Other interest received	2	4
Interest paid	(872)	(1,002)
HEFCE debt reimbursement	745	805
	<u>1,244</u>	<u>1,039</u>

# Notes

25 Capital expenditure and financial investment	2004 £000	2003 £000
Tangible assets acquired (other than leased equipment)	(9,989)	(8,730)
Deferred capital grants received (note 19)	3,339	2,265
Purchase of investments	-	(400)
	<u>(6,650)</u>	<u>(6,865)</u>

26 Management of Liquid Resources	2004 £000	2003 £000
(Placing of)/withdrawals from deposits	<u>(1,340)</u>	<u>1,750</u>

27 Financing	2004 £000	2003 £000
Repayment of amounts borrowed	(768)	(785)
Amounts reimbursed by HEFCE	513	484
Net cash outflow	<u>(255)</u>	<u>(301)</u>

28 Analysis of changes in net funds/(debt)	At 1 August 2003 £000	Cash flows £000	Other Changes £000	At 31 July 2004 £000
Cash at bank and in hand	941	331	-	1,272
Bank overdraft	(8)	8	-	-
	933	339	-	1,272
Short term deposits	27,250	1,340	-	28,590
Debt due within one year	(766)	766	(746)	(746)
Debt due after one year	(13,676)	-	748	(12,928)
	<u>13,741</u>	<u>2,445</u>	<u>2</u>	<u>16,188</u>



# Notes

## 29 Major non-cash transactions

During the year the University made a provision of £1,662,000 (2003: £1,247,000) for future pension costs and £nil (2003: £955,000) for exceptional restructuring costs – see note 18.

## 30 Pension and similar obligations

The University participates, principally, in two pension schemes, the Teachers Pension Scheme (TPS) and the Nottinghamshire County Council Pension Fund (NCCPF). These are both independently administered and are defined benefit schemes that are funded from the University and employees.

### Teachers Pension Scheme

The TPS is valued every five years by the Government Actuary. Contributions are paid by the University at the rate specified by the Government Actuary and during this accounting period were equal to 8.35% to 31 March 2003 and 13.5% thereafter. The TPS is a multi-employer scheme where the share of the assets and liabilities applicable to each employer is not identified. The University will, therefore, account for its pension costs on a defined contribution basis as permitted by FRS 17. The main assumptions and results of the most recent valuation of the TPS are as follows:

### TPS Fund position at last valuation

Latest actuarial valuation	31 March 2001
Valuation method	Prospective benefits
Value of assets	*£102,010m
Funding level for accrued benefits	100.0%
Investment return per annum	7.0%
Salary scale increases per annum	5.0%

\* The assets of the TPS are notional assets.

## Nottinghamshire County Council Pension Fund

The NCCPF is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary and during this accounting period were equal to 12.7% to 31 March 2003 and 13.8% thereafter. A valuation by the Fund's actuary was carried at 31 March 2001 and the fund position is detailed below:

### NCCPF Fund position at last valuation

Latest actuarial valuation	31 March 2001
Valuation method	Projected unit
Value of assets	£1,440m
Funding level for accrued benefits	

	Past service liabilities	Future service liabilities
Investment return per annum	6.1 %	6.5 %
Salary scale increases per annum	3.8 %	4.0 %
Pension increase per annum	2.3 %	2.5 %

# Notes

## 30 Pension and similar obligations (continued)

### FRS 17 disclosures

The NCCPF is a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 July 2004 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 July 2004	31 July 2003	31 July 2002
Rate of increase in salaries	4.3 %	4.0 %	4.0 %
Rate of increase in pensions in payment	2.8 %	2.5 %	2.5 %
Discount rate	5.7 %	5.5 %	6.0 %
Inflation assumption	<u>2.8 %</u>	<u>2.5 %</u>	<u>2.5 %</u>

The University's share of the assets in the scheme and the expected rate of return were:

	2004		2003		2002	
	Long term rate of return expected at 31 July 2004	Value at 31 July 2004	Long term rate of return expected at 31 July 2003	Value at 31 July 2003 £000	Long term rate of return expected at 31 July 2002	Value at 31 July 2002 £000
Equities	7.5 %	40,542	7.5 %	33,226	8.0 %	34,254
Government bonds	5.0 %	8,797	4.7 %	6,623	6.0 %	10,245
Other bonds	5.7 %	3,506	5.5 %	5,613	6.0 %	-
Property	6.5 %	7,076	6.5 %	7,072	7.0 %	5,588
Other	4.5 %	3,825	3.75 %	3,591	4.0 %	1,656
		<u>63,746</u>		<u>56,125</u>		<u>51,743</u>

The following amounts at 31 July 2004 were measured in accordance with the requirements of FRS 17:

	2004 £000	2003 £000	2002 £000
Total market value of assets	63,746	56,125	51,743
Present value of scheme liabilities	(98,229)	(88,726)	(75,387)
Deficit of the scheme - Net pension liability	<u>(34,483)</u>	<u>(32,601)</u>	<u>(23,644)</u>

# Notes

## 30 Pension and similar obligations (continued)

If the above amounts had been recognised in the financial statements, the University's net assets and general reserve at 31 July 2004 would be as follows:

	2004 £000	2003 £000	2002 £000
Net assets excluding pension liability	120,808	118,818	116,939
Add back of enhanced pension provision	2,761	2,758	2,364
Add back of SSAP24 under funding provision	240	240	160
Pension liability	(34,483)	(32,601)	(23,644)
Net assets including pension liability	<u>89,326</u>	<u>89,215</u>	<u>95,819</u>
General reserve excluding pension liability	50,507	50,410	49,503
Add back of enhanced pension provision	2,761	2,758	2,364
Add back of SSAP24 under funding provision	240	240	160
Pension liability	(34,483)	(32,601)	(23,644)
General reserve including pension liability	<u>19,025</u>	<u>20,807</u>	<u>28,383</u>

Additionally, if the pension costs had been recognised in accordance with FRS 17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2004:

	2004 £000	2003 £000
Analysis of amounts charged to income and expenditure account:		
Current service cost	<u>3,326</u>	<u>2,753</u>
Past service / curtailment cost	<u>219</u>	<u>147</u>
	<u>3,545</u>	<u>2,900</u>
Financing:		
- expected return on pension scheme assets	<u>3,790</u>	<u>3,860</u>
- interest on expected scheme liabilities	<u>(4,952)</u>	<u>(4,559)</u>
- net (cost)/return	<u>(1,162)</u>	<u>(699)</u>
Analysis of amounts recognised in statement of total recognised gains and losses:		
Expected return less actual return on pension scheme assets	1,306	(768)
Experience gains and losses arising on scheme liabilities	-	-
Changes in assumptions underlying the present value of scheme liabilities	<u>(1,709)</u>	<u>(7,442)</u>
Total actuarial loss recognised	<u>(403)</u>	<u>(8,210)</u>

### 30 Pension and similar obligations (continued)

In total the movement in the University's share of the scheme's deficit during the year is made up as follows:

	2004 £000	2003 £000
Deficit on scheme at 1 August	(32,601)	(23,644)
Movement in year:		
- current service cost	(3,326)	(2,753)
- contributions	3,228	2,852
- past service / curtailment costs	(219)	(147)
- net (cost)/return on assets	(1,162)	(699)
- actuarial loss	(403)	(8,210)
Deficit on scheme at 31 July	<u>(34,483)</u>	<u>(32,601)</u>

The experience gains and losses for the year ended 31 July 2004 were as follows:

	2004	2003	2002
Difference between expected and actual return on scheme assets:			
Amount (£000)	1,306	(768)	(12,771)
Percentage of scheme assets	2.0 %	1.4 %	24.7 %
Experience gains and losses on scheme liabilities:			
Amount (£000)	-	-	-
Percentage of scheme liabilities	-	-	-
Total amount recognised in the statement of total recognised gains and losses:			
Amount (£000)	(403)	(8,210)	(12,771)
Percentage of the present value of the scheme liabilities	0.4 %	9.3 %	16.9 %

The pension charge for the year was £9,099,000 (2003: £7,133,000); this included an amount in respect of enhanced pension entitlements of staff taking early retirement. The calculation of the cost of early retirement provisions charged to the income and expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5 % (2003: 3.5 %) in excess of price inflation.

A provision of £1,662,000 (2003: £1,247,000) has been made in the 2004 financial statements for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

Where an institution closes and there is no successor establishment, the Secretary of State becomes the compensating authority.

### 31 Contingent liability

As a result of a ruling by the European Court of Justice (ECJ) in the Preston case relating to indirect sex discrimination, the employer has an obligation to provide pension scheme benefits for part-time employees. There is therefore a potential liability to provide additional benefits for service before the pension scheme rules were changed to allow access for part-time employees.

The extent of the liability will depend on the service completed by those part-time employees who have registered a valid claim for benefits within the necessary timescales. It is not currently known with certainty how many part-time employees have registered and whether any financial impact that may materialise will be significant. Therefore no provision has been made, but the accounts include a disclosure as a prudent approach to the potential liability.

### 32 Commitments

The group has annual commitments relating to operating leases as follows:

	2004 £000	2003 £000
Leases of buildings expiring:		
In two to five years	456	449
In over five years	<u>1,252</u>	<u>853</u>
	<u>1,708</u>	<u>1,302</u>

	2004 £000	2003 £000
Leases of plant and equipment expiring:		
Within one year	-	98
In two to five years	269	419
After more than five years	<u>90</u>	<u>-</u>
	<u>359</u>	<u>517</u>

### 33 Related party transactions

The company controls 90 % or more of the voting rights of all subsidiary undertakings. Therefore the company has taken advantage of the exemption contained in Financial Reporting Standard Number 8 and has not disclosed transactions or balances with entities that form part of the group and are included within these financial statements.

34 Access funds	2004 £000	2003 £000
Funding council grants	1,052	1,038
Interest earned	<u>11</u>	<u>8</u>
	1,063	1,046
Disbursements to students	<u>1,025</u>	<u>(1,046)</u>
Balance unspent at 31 July	<u>38</u>	<u>-</u>

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

# Notes

35 Learner support funds	2004 £000	2003 £000
Funding council grants	143	354
	<u>143</u>	<u>354</u>
Disbursements to students	(143)	(354)
Balance unspent at 31 July	<u>-</u>	<u>-</u>

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

36 Teacher Training Agency bursaries	2004 £000	2003 £000
Funding council grants	1,344	1,315
	<u>1,344</u>	<u>1,315</u>
Disbursements to students	(1,344)	(1,315)
Balance unspent at 31 July	<u>-</u>	<u>-</u>

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

37 PGCE bursaries	2004 £000	2003 £000
Funding council grants	261	329
	<u>261</u>	<u>329</u>
Disbursements to students	(261)	(329)
Balance unspent at 31 July	<u>-</u>	<u>-</u>

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

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