Contents

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 Governors' 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 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;
- The Nottingham Trent University Charitable Trust is an unincorporated body and provides library buildings for academic use;
- The Education Support Centre (UK) Limited provides the higher and further education sectors with expert technical assistance on Microsoft products.

All subsidiaries covenant the whole of any taxable profits to the University.

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

Results for the Year

The University's consolidated Income and Expenditure Account can be summarised as follows:

	2005/06 £000	2004/05 £000	2003/04 £000
Income	139,199	126,924	124,334
Expenditure	138,857	130,351	125,082
Surplus / -Deficit before Exceptional Items and FRS 17 adjustments	342	-3,427	-748
Exceptional Items		-4,266	845
FRS 17	608	-1,581	
Historic Cost Surplus / -Deficit	950	-9,274	97

Following the launch of the University's Strategic Plan 2004-2010, the financial year 2004/05 recorded unprecedented levels of investment. The implementation of the strategy including investment in staff, course development, infrastructure and student services continued into 2005/06. This investment is delivering a strong operating position and has seen the University return to surplus in 2005/06 as planned.

Balance Sheet

The Strategic Plan has also demanded significant investment in the estate in order to create an inspiring working environment for students and staff.

This investment is evident in the summarised Balance Sheet:

	2005/06 £000	2004/05 £000	2003/04 £000
Fixed Assests	192,837	160,753	126,984
Net Current Assests	3,167	4,066	19,760
Long-term creditors	-46,467	-31,943	-12,928
Provisions	-12,105	-13,468	13,008
Net Assets Excluding FRS 17 adjustments	137,432	119,408	120,808

Capital investment over the last two years has totalled £80m and is the primary reason for the material movements on the Balance Sheet since 1 August 2004. The capital programme is financed through a combination of bank debt, grants and working capital.

Capital Projects

Total capital expenditure during 2005/06 totalled £40m the most significant items are listed below:

In year expenditure:

Extension and refurbishment of the Bonington Building, £8.8m
Student residencies, Brackenhurst Campus, £7.0m
Newton/Arkwright regeneration, £4.1m
Vet Nursing, Brackenhurst, £1.4m
Centre for Excellence in Teaching & Learning, £3.0m
Disabled Access, £1.3m

Cash Flow

The Consolidated Cash Flow statement highlights strong cash management with a net inflow from operating activities of £7.9m (£2.1m 2004/05).

At 31 July 2006, cash and investments totalled £21m equating to 59 days liquidity which compares favourably to sector median.

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

The Year Ahead

During 2006/07 the University will continue to invest in the course portfolio, facilities and student services. The key element of the capital programme, the ambitious Newton/Arkwright regeneration scheme, will commence with most other major elements of the programme now complete.
The financial base reported in the Consolidated Accounts supports this continued investment.

Membership

The members of the Board during the year to 31 July 2006, unless otherwise indicated, were:

Independent members

Mr J Peace, Chairman
Professor AP Forster, Deputy Chairman
Mr P Bowden
Mr R Bullock
Mr MJ Cooper
Mr AK Edwards - appointed 17 October 2005
Ms S Ford-Hutchinson
Mr R Freeston - appointed 17 October 2005
Mr M Freyd
Mr G Mitchell
Mr RW Ruse
Mr JJH Watson

Educationalist member

Mrs M Puckey - retired 31 July 2005

Academic board member

Professor G Kennedy

Student nominee

Ms K Steventon

General staff member

Mrs ME Martin - resigned 10 October 2005
Mrs ME Brown - appointed 5 December 2005

Vice-Chancellor

Professor NT Gorman

Chief Financial & Operations Director

Mr JS Jackson

Mr J Peace
Chairman

Prof NT Gorman
Vice-Chancellor

11 December 2006

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 and Risk Committee and a Finance 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 employment policy and the remuneration and conditions of service of senior postholders on behalf of the Board.

The Audit and Risk Committee meets at least three times a year, with both External and Internal Auditors present. The University's Internal Audit Service operates in accordance with Accountability and Audit: HEFCE Code of Practice. The Internal Audit Service prepares an annual operating plan based on its strategy and risk assessment for consideration by the Audit and Risk Committee and approval by the Board of Governors. The Audit and Risk Committee, against the framework of the agreed plans, considers Internal Audit reports and recommendations for the improvement of the University's systems of risk management, governance, internal control and value for money, 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 both the Internal and External Auditors on their own for independent discussions.

The Finance 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

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 the 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 2006 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 and Risk 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 and Risk Committee on the adequacy and effectiveness of the systems of risk management, governance, internal control and value for money, 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 Training and Development Agency for Schools ('TDA') 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 TDA 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 TDA Terms and Conditions of Funding and any other conditions which the Funding Councils and Training and Development Agency for Schools may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and 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 University financial statements (the "financial statements") of Nottingham Trent University for the year ended 31 July 2006 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

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

The University's Board of Governors responsibilities for preparing the Governors' Report and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 6.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council. We also report to you whether in our opinion the Governors' Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give 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

In our opinion:

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

11 December 2006

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. They conform to the guidance published by the Higher Education Funding Council for England.

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

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. FRS 21 has had no material impact.

Prior year adjustment

The recognition and measurement requirements of FRS 17 'Retirement benefits' have been adopted in the financial statements, previously the transitional disclosures of that standard have been followed. The full adoption of the standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of adopting FRS 17 are given in note 31.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the University and its subsidiaries Nottingham Consultants Limited, Nottingham Law School Limited, Nottingham Trent University Charitable Trust 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 the East Midlands Development Agency (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

Recurrent grants from the Higher Education Funding Council for England, the Learning and Skills Council and the Training and Development Agency for Schools represent the funding allocation which is attributable to the current accounting period and are credited direct to the income and expenditure account.

Income from academic fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

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.

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.

Where the University receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the University does not have direct control over the future economic benefits derived from these funds. The University has applied this policy to certain funds received during the year from the Higher Education Funding Council for England, the Learning and Skills Agency and the Training and Development Agency for Schools (see notes 35 to 39).

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 and contracted out of the State Earnings Related Pension Scheme (SERPS).

Contributions to the TPS scheme are charged as incurred to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The assets of the NCCPF are measured using closing market values. NCCPF liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 30.

Statement of principal accounting policies (continued)

Foreign currency

Transactions denominated 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 in the period in which they arise.

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

Land and Buildings are stated at cost, or at valuation if acquired before 31 July 1997.

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). These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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.

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.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Listed investments held as fixed assets are stated at market value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Maintenance of premises

Costs will be charged to the income and expenditure account as incurred in accordance with FRS12.

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 Consultants Limited, Nottingham Law School Limited, 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 Deed of Covenant arrangement with the University, Nottingham Consultants Limited 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.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Accounts

Consolidated income and expenditure account

for the year ended 31 July 2006

Income	Note	2006 £000	2005 As restated £000
Funding council grants	1	**73,835**	63,006
Tuition fees and education contracts	2	**42,900**	42,272
Research grants and contracts	3	**4,739**	4,425
Other income	4	**16,831**	15,747
Endowment and investment income	5	**894**	1,474
Total income		139,199	126,924

Expenditure	Note	2006 £000	2005 As restated £000
Staff costs	6	**85,709**	84,910
Exceptional restructuring costs		-	4,266
Other operating expenses	7	**41,797**	40,033
Depreciation	11	**7,641**	6,070
Interest payable	8	**4,907**	2,223
Total expenditure	9	140,054	137,502
Deficit on continuing operations after depreciation of assets at valuation		(855)	(10,578)
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	10	(855)	(10,578)

Income and expenditure account

	Note	2006 £000	2005 As restated £000
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(855)	(10,578)
Release from revaluation reserve		**1,805**	1,304
Historical cost surplus / (deficit) after tax		**950**	(9,274)
Balance at 1 August		**4,136**	50,507
Release of enhanced pension provision		-	2,858
Pension liability at 1 August 2004	31	-	(34,483)
Actuarial loss in respect of pension scheme		(3,907)	(5,472)
Balance at 31 July		1,179	4,136

In both the current and preceding years, the group made no material acquisitions.
The results for the year ended 31 July 2005 have been restated to reflect the full implementation of FRS 17 (see note 31).

Consolidated statement of total recognised gains and losses

for the year ended 31 July 2006

Income	2006 £000	2005 As restated £000
Deficit after depreciation of assets at valuation and tax	(855)	(10,578)
HEFCE reimbursement of principal element of debt charges	8,707	521
Actuarial loss in respect of pension scheme	(3,907)	(5,472)
Total recognised gains / (losses) relating to the year	3,945	(15,529)
Prior year adjustment	(41,536)	-
Total recognised losses since the last period	(37,591)	(15,529)

Consolidated statement of historical cost surpluses and deficits

for the year ended 31 July 2006

	2006 £000	2005 As restated £000
Deficit after depreciation of assets at valuation and tax	(855)	(10,578)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,805	1,304
Historical cost surplus / (deficit) after tax	950	(9,274)

Balancesheets

as at 31 July 2006

	Note	Group 2006 £000	University 2006 £000	Group 2005 As restated £000	University 2005 As restated £000
Fixed assets					
Tangible assets	*11*	192,316	187,659	160,229	155,160
Investments	*12*	521	2,906	524	2,756
		192,837	190,565	160,753	157,916
Current assets					
Stock and stores in hand	*13*	344	235	431	367
Debtors: due within one year	*14*	6,271	10,143	7,192	11,840
Debtors: due after more than one year	*15*	-	444	-	677
		6,271	10,587	7,192	12,517
Short term deposits		20,232	20,035	19,978	19,781
Cash at bank and in hand		1,048	566	744	291
		27,895	31,423	28,345	32,956
Creditors: amounts falling due within one year	*16*	(24,728)	(23,724)	(24,279)	(23,080)
Net current assets		3,167	7,699	4,066	9,876
Total assets less current liabilities		196,004	198,264	164,819	167,792
Creditors: amounts falling due after more than one year	*17*	(46,467)	(46,485)	(31,943)	(31,980)
Provisions for liabilities and charges	*18*	(12,105)	(12,105)	(13,468)	(13,468)
Net assets excluding pension liability		137,432	139,674	119,408	122,344
Pension liability	*30*	(44,837)	(44,837)	(41, 536)	(41,536)
Net Assests including pension liability		92,595	94,837	77,872	80,808

Balance sheets (continued)

as at 31 July 2006

	Note	Group 2006 £000	University 2006 £000	Group 2005 As restated £000	University 2005 As restated £000
Represented by:					
Deferred capital grants	*19*	32,098	32,098	21,320	21,320
Reserves					
Revaluation reserve	*20*	59,258	60,638	52,356	53,736
Capital reserve	*21*	60	-	60	-
Income and expenditure account excluding pension liability	*22*	46,016	46,938	45,672	47,288
Pension reserve	30	(44,837)	(44,837)	(41,536)	(41,536)
Income and expenditure account including pension liability	22	1,179	2,101	4,136	5,752
Total funds		92,595	94,837	77,872	80,808

The financial statements on pages 8 to 38 were approved by the Board of Governors on 11 December 2006 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 2006

	Note	2006 £000	2005 £000
Net cash inflow from operating activities	23	7,881	2,125
Returns on investments and servicing of finance	24	(833)	1,162
Capital expenditure and financial investment	25	(29,615)	(32,150)
Cash outflow before management of liquid resources and financing		(22,567)	(28,863)
Management of liquid resources	26	(254)	8,612
Financing	27	23,125	19,723
Increase/(decrease) in cash	28	304	(528)

Reconciliation of net cash flow to movement in net debt

for the year ended 31 July 2006

		2006 £000	2005 £000
Increase/(decrease) in cash in the period		304	(528)
Increase/(decrease) in short term deposits		254	(8,612)
New loans acquired		(23,505)	(24,141)
Repayment of debt		9,115	4,939
Change in net debt		(13,832)	(28,342)
Net (debt) / funds at 1 August		(12,154)	16,188
Net debt at 31 July	28	(25,986)	(12,154)

Notes

(forming part of the financial statements)

1 Funding council grants

	HEFCE £000	LSC £000	TTA £000	2006 Total £000	2005 Total £000
Recurrent grant	55,469	1,522	4,038	61,029	56,806
Specific grants					
Management development fund	11			11	60
TTA Initiatives	-	-	36	36	400
Reimbursement of debt charges	567	-	-	567	677
Settlement of debt charges	1,754	-	-	1,754	-
Research	2,915	-	-	2,915	2,168
Inherited liabilities – rents	-	-	-	-	268
Rewarding and developing staff	1,214	-	-	1,214	236
Collaboration and restructuring	-	-	-	-	70
Golden Hellos	60	-	-	60	-
Fund for the development of teaching and learning	618	-	-	618	280
Special learning difficulties and disabilities	40	-	-	40	16
Active community fund	125	-	-	125	99
Foundation degrees	10	-	-	10	18
Aim higher	1,451	-	-	1,451	1,096
Reachout	43	-	-	43	9
Centres of excellence in teaching	178	-	-	178	19
Higher education innovation fund	498	-	-	498	112
National teaching fellowship	4	-	-	4	4
IT infrastructure	39	-	-	39	-
E learning strategy	282	-	-	282	-
Developing good management practice	10	-	-	10	-
Network/Arkwright relocation	2,078	-	-	2,078	-
Deferred capital grants released in year					
Buildings (note 19)	656	-	-	656	451
Equipment (note 19)	217	-	-	217	217
	68,239	1,522	4,074	73,835	63,006

2 Tuition Fees and Education Contracts

	2006 £000	2005 £000
Full-time students	17,320	17,026
Full-time students charged overseas fees	6,818	5,853
Part-time fees	1,073	951
Short course fees	17,689	18,442
	42,900	42,272

Notes

3 Research grants and contracts	2006 £000	2005 £000
Research councils	1,025	787
UK based charities	1,320	1,411
European Commission	563	427
Other grants and contracts	1,831	1,800
	4,739	4,425

4 Other income	2006 £000	2005 £000
Residences, catering and conferences	3,603	3,276
Other income generating activities	12,102	11,421
Released from deferred capital grants (note 19)	122	116
Other income	1,004	934
	16,831	15,747

5 Endowment and Investment Income	2006 £000	2005 £000
Income from short term investments	893	1,471
Other interest receivable	1	3
	894	1,474

Notes

6 Staff costs	2006	2005
		As restated
	£000	£000
Employee costs:		
Wages and salaries	72,027	69,705
Social security costs	5,896	5,718
Other pension costs (including FRS 17 adjustments)	7,786	9,487
	85,709	84,910

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

	2006	2005
	Number	Number
Teaching departments	1,055	1,093
Teaching support services	659	653
Other support services	54	53
Administration and central services	352	314
Premises	231	225
Other	20	20
	2,371	2,358

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.

	2006	2005
	£000	£000
Emoluments of the current Vice-Chancellor excluding pension contributions	225	225
The University's pension contributions including contributions to the USS	19	14

6 Staff costs (continued)

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

	2006 Number	2005 Number
£70,001 - £80,000	10	10
£80,001 - £90,000	6	7
£90,001 - £100,000	2	3
£100,001 - £110,000	1	2
£120,001 - £130,000	1	1

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

	2006 £000	2005 £000
Compensation paid and payable to the former post-holder	270	263
Estimated value of other benefits, including provisions for pension benefits	87	75

The estimated value of other benefits has been calculated in accordance with Financial Reporting Standard 17.

Notes

7 Other operating expenses	2006 £000	2005 £000
Consumables and laboratory expenses	8,057	7,461
Books and periodicals	1,630	1,674
Heat, light, water and power	3,441	2,089
Repairs and general maintenance	2,859	3,348
Rents and accommodation hire	2,915	2,900
Food and catering costs	845	917
Auditors' remuneration*	50	59
Auditors' remuneration in respect of non-audit services	33	52
Equipment operating lease rentals	485	618
Course costs, professional and consultancy fees	7,473	7,403
Transport, travel and subsistence	2,739	2,858
Advertising, marketing, telephone and postage	3,639	3,199
Franchising	1,925	1,623
Rates	361	292
Insurance	563	511
Staff development and agency costs	2,281	2,390
Other expenses	2,501	2,639
	41,797	40,033

* Includes £36,731 in relation to the University and £13,269 in relation to the subsidiary companies.

8 Interest payable	2006 £000	2005 As restated £000
Bank and other loans wholly repayable within five years	1,678	270
Loans not wholly repayable within five years	2,293	677
Pension finance costs	936	1,276
	4,907	2,223

Notes

9 Analysis of expenditure by activity	Staff costs £000	Deprec-iation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	58,773	847	17,934	-	**77,554**
Academic services	10,710	1,731	6,278	-	**18,719**
Research grants and contracts	2,792	-	1,874	-	**4,666**
Residences, catering and conferences	1,505	120	2,072	-	**3,697**
Premises	5,017	4,005	8,006	3,971	**20,999**
Administration	6,839	760	4,429	-	**12,028**
Other expenses	1,617	178	1,204	-	**2,999**
Adjustments in respect of FRS 17	(1,544)	-	-	936	**(608)**
Total per income and expenditure account	85,709	7,641	41,797	4,907	140,054

	£000
The depreciation has been funded by:	
Deferred capital grants released (note 19)	995
Revaluation reserve released (note 20)	1,805
General income	4,841
	7,641

Notes

10 Deficit on continuing operations for the period

The deficit on continuing operations for the period is made up as follows:

	2006 £000	2005 As restated £000
University deficit for the period	**(1,549)**	(10,363)
Surplus / (deficit) generated by subsidiary undertakings and transferred to the University under a gift aid payment plus surplus generated by the Student's Union	**697**	(230)
Share of (loss)/profit in joint venture	**(3)**	15
	(855)	(10,578)

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 2005	171,257	7,328	56,527	20,078	255,190
Additions	11,065	7,419	4,579	16,713	39,776
Disposals	(71)	-	(7)	-	(78)
Transfers	11,010	3,985	-	(14,995)	-
At 31 July 2006	**193,261**	**18,732**	**61,099**	**21,796**	**294,888**
Accumulated depreciation:					
At 1 August 2005	46,072	2,984	45,905	-	94,961
Charge for the year	3,378	1,047	3,216	-	7,641
Disposals	(28)	-	(2)	-	(30)
At 31 July 2006	**49,422**	**4,031**	**49,119**	**-**	**102,572**
Net book value:					
At 31 July 2006	**143,839**	**14,701**	**11,980**	**21,796**	**192,316**
At 31 July 2005	125,185	4,344	10,622	20,078	160,229

11 Tangible assets (continued)	Freehold land and buildings £000	Fixtures and fittings £000	University Furniture and equipment £000	Assets under course of construction £000	Total £000
Cost or valuation:					
At 1 August 2005	168,267	2,658	53,242	20,367	244,534
Additions	11,056	7,309	4,400	16,713	39,478
Disposals	(40)	-	-	-	(40)
Transfers	11,010	3,985	-	(14,995)	-
At 31 July 2006	**190,293**	**13,952**	**57,642**	**22,085**	**283,972**
Accumulated depreciation:					
At 1 August 2005	44,722	1,520	43,132	-	89,374
Charge for the year	3,234	751	2,971	-	6,656
Disposals	(17)	-	-	-	(17)
At 31 July 2006	**47,939**	**2,271**	**46,103**	**-**	**96,313**
Net book value:					
At 31 July 2006	**142,354**	**11,681**	**11,539**	**22,085**	**187,659**
At 31 July 2005	123,545	1,138	10,110	20,367	155,160

Freehold land with a book value of £9,692,000 (2005: £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 £26,115,000 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.

12 Investments

	Group				
	Other investments £000	Listed investments £000	Loans £000	Participating Interests £000	Total £000
Cost:					
At 1 August 2005	8	34	250	232	524
Additions	-	-	-	-	-
Disposals	-	-	-	(3)	(3)
At 31 July 2006	8	34	250	229	521

	University				
	Shares in group undertakings £000	Other investments £000	Listed investments £000	Loans £000	Total £000
Cost:					
At 1 August 2005	2,072	-	34	650	2,756
Additions	150	-	-	-	150
At 31 July 2006	2,222	-	34	650	2,906

The University owns the total issued share capital of 555,000 ordinary shares of £1 in Nottingham Consultants Limited, 1,667,000 ordinary shares of £1 in Nottingham Law School Limited, 2 ordinary shares of £1 in Nottingham Trent Residences 1 PLC, 2 ordinary shares of £1 each in Nottingham Trent International College Limited 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 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:

	2006 £000	2005 £000
Gross assets	229	232
Gross liabilities	-	-
Net assets	229	232

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 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Consumables	185	185	328	328
Goods for resale	159	50	103	39
	344	235	431	367

14 Debtors: amounts falling due within one year	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Trade debtors	4,024	2,823	4,663	3,212
Other debtors	-	-	63	-
Amounts owed by subsidiary undertakings	-	5,551	-	6,823
Loan to Union of Students	-	211	-	211
Prepayments	737	477	587	480
Accrued income	1,114	1,081	1,241	1,114
VAT recoverable	396	-	638	-
	6,271	10,143	7,192	11,840

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 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Amounts owed by subsidiary undertakings (note 14)	-	444	-	677
	-	444	-	677

Notes

16 Creditors: amounts falling due within one year	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Loans from LEAs	-	-	538	538
Bank loan	799	799	395	395
General creditors	4,593	4,110	3,759	3,287
Amounts owed to subsidiary undertakings	-	18	-	174
Other creditors including tax and social security	2,962	2,957	3,007	2,982
Funding councils holdback	-	-	172	172
Accruals	7,084	6,840	7,075	6,730
Deferred income	9,290	9,000	9,333	8,802
	24,728	23,724	24,279	23,080

17 Creditors: amounts falling due after more than one year	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Loans from LEAs				
Repayable between one and five years	-	-	1,736	1,736
Repayable in six years or more	-	-	6,461	6,461
	-	-	8,197	8,197
Bank loan	46,467	46,467	23,746	23,746
Amounts owed to subsidiary undertakings	-	18	-	37
	46,467	46,485	31,943	31,980

All LEA loans are unsecured and are repayable by instalments 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 facility of £55m has been secured to fund, in part, the estate regeneration programme. At the balance sheet date £46.47m had been drawn down against the facility.

18 Provisions for liabilities and charges	Group and University		
	Restructuring £000	Pensions £000	Total £000
At 1 August 2005 as previously stated	3,077	13,249	16,326
Prior year adjustment	-	(2,858)	(2,858)
At 1 August 2005 as restated	3,077	10,391	13,468
Transfer from restructuring provision	-	108	108
Charge for the year	-	676	676
	3,077	11,175	14,252
Transfer to pension provision	(108)	-	(108)
Utilised in year	(1,265)	(774)	(2,039)
At 31 July 2006	**1,704**	**10,401**	**12,105**

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

19 Deferred capital grants	Group and University		
	Funding councils £000	Other grants £000	Total £000
At 1 August 2005			
Buildings	16,063	3,204	19,267
Equipment	1,780	273	2,053
Total	17,843	3,477	21,320
Cash received			
Buildings	10,708	975	11,683
Equipment	-	90	90
Total	10,708	1,065	11,773
Released to income and expenditure account			
Buildings (notes 1 and 4)	656	76	732
Equipment (notes 1 and 4)	217	46	263
Total	873	122	995
At 31 July 2006			
Buildings	**26,115**	**4,103**	**30,218**
Equipment	**1,563**	**317**	**1,880**
Total	**27,678**	**4,420**	**32,098**

20 Revaluation reserve

	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
Revaluations				
At 1 August	78,515	79,895	78,515	79,895
Reimbursement of inherited debt principal	8,185	8,185	-	-
Eliminated on disposals	-	-	-	-
At 31 July	86,700	88,080	78,515	79,895
Contributions to depreciation				
At 1 August	26,159	26,159	25,376	25,376
Released in year	1,805	1,805	1,304	1,304
Less: reimbursed by HEFCE	(522)	(522)	(521)	(521)
At 31 July	27,442	27,442	26,159	26,159
Net revaluation amount				
At 31 July 2006	59,258	60,638	52,356	53,736

21 Capital reserve

	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
At 1 August 2005 and 31 July 2006	60	-	60	-

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

Notes

22 Movement on general reserves Income and expenditure account	Group £000	University £000
At 1 August 2005 as previously stated	42,814	44,430
Prior year adjustment in respect of FRS 17	(41,536)	(41,536)
Reversal of enhanced pension provision at 1 August 2005	2,858	2,858
At 1 August 2005 as restated	4,136	5,752
Deficit on continuing operations after depreciation of assets at valuation and tax	(855)	(1,549)
Transfer from revaluation reserve to income and expenditure account	1,805	1,805
Actuarial loss in respect of pension scheme	(3,907)	(3,907)
At 31 July 2006	**1,179**	**2,101**
Represented by:		
Income and expenditure reserve excluding pension reserve	46,016	46,938
Pension reserve	(44,837)	(44,837)
At 31 July 2006	**1,179**	**2,101**

23 Reconciliation of consolidated operating deficit to net cash from operating activities	2006 £000	2005 As restated £000
Deficit after depreciation of assets at valuation and after tax	**(855)**	(10,578)
Release of capital grant (note 19)	**(995)**	(784)
Depreciation (note 11)	**7,641**	6,070
Loss on disposal of fixed assets	**48**	126
Decrease in stock	**87**	152
Decrease / (increase) in debtors	**921**	(685)
Increase in creditors	**2,246**	4,144
(Decrease) / increase in provisions	**(1,363)**	3,318
Interest payable	**3,971**	947
Interest receivable	**(894)**	(1,474)
HEFCE debt reimbursement	**(2,321)**	(677)
Pension cost less contributions payable	**(608)**	1,581
Share of loss/(profit) in joint venture	**3**	(15)
Net cash inflow from operating activities	**7,881**	2,125

24 Returns on investments and servicing of finance	2006 £000	2005 £000
Income from short term investments	**893**	1,471
Other interest received	**1**	3
Interest paid	**(4,048)**	(989)
HEFCE debt reimbursement	**2,321**	677
	(833)	1,162

Notes

25 Capital expenditure and financial investment	2006 £000	2005 £000
Tangible assets acquired (other than leased equipment)	(41,388)	(37,187)
Deferred capital grants received (note 19)	11,773	5,002
Sale of investments	-	35
	(29,615)	(32,150)

26 Management of Liquid Resources	2006 £000	2005 £000
(Placing of)/withdrawals from deposits	(254)	8,612

27 Financing	2006 £000	2005 £000
New loans	23,505	24,141
Repayment of amounts borrowed	(9,115)	(4,939)
Amounts reimbursed by HEFCE	8,735	521
Net cash outflow	23,125	19,723

28 Analysis of changes in net debt	At 1 August 2005 £000	Cash flows £000	Other Changes £000	At 31 July 2006 £000
Cash at bank and in hand	744	304	-	1,048
Short term deposits	19,978	254	-	20,232
Debt due within one year	(933)	901	(767)	(799)
Debt due after one year	(31,943)	8,214	(22,738)	(46,467)
	(12,154)	9,673	(23,505)	(25,986)

29 Major non-cash transactions

During the year the University made a provision of £676,000 (2005: £1,163,000) for future pension costs and £nil (2005: £3,077,000) 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).

Teachers Pension Scheme

The TPS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

The pension cost is assessed every five years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

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%

For this accounting period the employer contribution rate was 13.5%. An appropriate SSAP 24 provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

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 14.5%. A valuation by the Fund's actuary was carried at 31 March 2004 and the fund position is detailed below:

NCCPF Fund position at last valuation

Latest actuarial valuation	31 March 2004
Valuation method	Projected unit
Value of assets	£1,503m
Funding level for accrued benefits	73.0%

	Past service liabilities	Future service liabilities
Investment return per annum		
- pre retirement	7.35%	6.5%
- post retirement	5.6%	6.5%
Salary scale increases per annum	4.25%	4.25%
Pension increase per annum	2.3%	2.5%

Notes

30 Pension and similar obligations (continued)

FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 March 2004 updated to 31 July 2006 by a qualified independent actuary. Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On advice from our actuaries we have assumed that 50 % of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the University's retirement benefit liability as at 31 July 2006.

	31 July 2006	31 July 2005	31 July 2004
Rate of inflation	3.0 %	2.7 %	2.8 %
Rate of increase in salaries	4.75 %	4.45 %	4.3 %
Rate of increase in pensions	3.0 %	2.7 %	2.8 %
Discount rate for liabilities	5.1 %	5.0 %	5.7 %

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

	2006		2005		2004	
	Long term rate of return expected at 31 July 2006	Value at 31July 2006 £000	Long term rate of return expected at 31 July 2005	Value at 31 July 2005 £000	Long term rate of return expected at 31 July 2004	Value at 31 July 2004 £000
Equities	7.0 %	64,254	7.5 %	51,579	7.5 %	40,542
Government bonds	4.4 %	8,148	4.4 %	10,284	5.0 %	8,797
Other bonds	5.1 %	4,074	5.0 %	3,696	5.7 %	3,506
Property	6.0 %	13,240	6.5 %	11,167	6.5 %	7,076
Cash	4.5 %	2,870	4.75 %	3,615	4.5 %	3,825
Total market value of assets		92,586		80,341		63,746

	2006 £000	2005 £000	2004 £000
Total market value of assets	92,586	80,341	63,746
Present value of scheme liabilities	(137,423)	(121,877)	(98,229)
Deficit of the scheme - Net pension liability	(44,837)	(41,536)	(34,483)

30 Pension and similar obligations (continued)

	2006 £000	2005 £000
Analysis of amounts charged to income and expenditure account		
Current service cost	4,703	3,557
Past service (gain)/cost	(2,290)	304
Curtailment cost	413	-
Total operating charge	2,826	3,861
Analysis of pension finance costs		
- Expected return on pension scheme assets	5,234	4,378
- Interest on expected scheme liabilities	(6,170)	(5,654)
Pension finance costs	(936)	(1,276)
Amounts recognised in the statement of total recognised gains and losses		
Expected return less actual return on pension scheme assets	4,284	9,931
Experience gains and losses arising on the scheme liabilities	(3,248)	7
Changes in assumptions underlying the present value of scheme liabilities	(4,943)	(15,410)
Total actuarial loss recognised	(3,907)	(5,472)

Notes

30 Pension and similar obligations (continued) Movement in surplus during year	2006 £000	2005 £000
Deficit on scheme at beginning of year	(41,536)	(34,483)
Movement in year		
- current service charge	(4,703)	(3,557)
- contributions	4,368	3,556
- past service/curtailment gains/(costs)	1,877	(304)
- net interest on assets	(936)	(1,276)
- actuarial loss	(3,907)	(5,472)
Deficit on scheme at end of year	(44,837)	(41,536)

History of experience gains and loses	2006	2005	2004	2003	2002
Difference between expected and actual return on scheme assets:					
Amount (£000)	4,284	9,931	1,306	(768)	(12,771)
Percentage of scheme assets	4.6%	12.4%	2.0%	1.4%	24.7%
Experience gains and losses on scheme liabilities:					
Amount (£000)	(3,248)	7	-	-	-
Percentage of scheme liabilities	2.4%	-	-	-	-
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£000)	(3,907)	(5,472)	(403)	(8,210)	(12,771)
Percentage of the present value of the scheme liabilities	2.8%	4.5%	0.4%	9.3%	16.9%

The pension charge for the year was £7,788,000 (2005: £9,182,000); 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% (2004: 3.5%) in excess of price inflation.

A provision of £676,000 (2005: £1,163,000) has been made in the 2006 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 Prior year adjustment

The prior year adjustment relates to the implementation of FRS 17.

FRS 17 requires the assets of defined benefit pension schemes, such as the local government scheme, to be measured at market value at each balance sheet date, and the liabilities to be measured using a specific valuation method and to be discounted using a corporate bond rate. Any resulting share of the pension scheme surplus or deficit is recognised on the college balance sheet. Any resulting gains and losses are recognised in the statement of total recognised gains and losses rather than being recognised gradually in the income and expenditure account.

The adoption of FRS 17 has resulted in the following impact on the income and expenditure account and statement of total recognised gains and losses:

	Group £000	University £000
Income and expenditure account reserve as previously stated (note 22)	42,814	44,430
Release of enhanced pension provision for underfunding in LGPS at 1 August 2004	2,858	2,858
Pension asset/(liability) at 1 August 2004	(34,483)	(34,483)
Movement during 2004/05:		
Employer service cost	(3,557)	(3,557)
Employer contributions	3,556	3,556
Past service cost	(304)	(304)
Net interest/return on assets	(1,276)	(1,276)
Actuarial gain or loss	(5,472)	(5,472)
Income and expenditure account reserve as restated at 31 July 2005	4,136	5,752
Analysis of prior year adjustment		
Adjustment to opening Income and Expenditure Account Reserve at 1 August 2004	(34,483)	(34,483)
Adjustment to Income and Expenditure Account for year ended 31 July 2005	(1,581)	(1,581)
Adjustment to Statement of Total Recognised Gains and Losses for the year ended 31 July 2005	(5,472)	(5,472)
Total	(41,536)	(41,536)

32 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.

The University is a member of U.M. Association (Special Risks) Limited, a company limited by guarantee, formed to provide a mutual association for terrorism risks. The University is a guarantor, on a joint and several basis with other members, of the association's £15m bank loan facility. If the association as a whole suffers a shortfall in any indemnity year, the members are liable for their pro rata share, subject to the articles of the association and the memorandum. No liability has yet arisen under this guarantee.

33 Commitments

The group has annual commitments relating to operating leases as follows

	2006 £000	2005 £000
Leases of buildings expiring:		
In two to five years	575	563
In over five years	358	724
	933	1,287
Leases of plant and equipment expiring:		
Within one year	-	3
In two to five years	1,396	287
After more than five years	-	-
	1,396	290

34 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.

35 Access funds

	2006 £000	2005 £000
Funding council grants	1,174	988
Interest earned	15	14
	1,189	1,002
Disbursements to students	(1,170)	(978)
Balance unspent at 31 July	19	24

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 Learner support funds

	2006 £000	2005 £000
Funding council grants	99	157
	99	157
Disbursements to students	(99)	(157)
Balance unspent at 31 July	-	-

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

37 Training and Development Agency for Schools bursaries

	2006 £000	2005 £000
Training and Development Agency for Schools grants	1,717	1,465
	1,717	1,465
Disbursements to students	(1,437)	(1,465)
Balance unspent at 31 July	280	-

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.

38 PGCE bursaries

	2006 £000	2005 £000
Funding council grants	296	277
	296	277
Disbursements to students	(296)	(277)
Balance unspent at 31 July	-	-

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

39 Training and Development Agency for Schools bursaries

	2006 £000	2005 £000
Training and Development Agency for Schools grants	1,552	891
	1,552	891
Disbursements to students	(1,513)	(891)
Balance unspent at 31 July	39	-

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