

Nottingham Trent University

Financial Statements

31 July 2012

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Operating and Financial Review

Strategic planning

All of the University's work is guided by its strategic plan, launched in December 2010, which highlights what makes NTU different as a leading professional university.

Our mission is to deliver education and research that shape lives and society.

We have five strategic aims:

- To develop confident and ambitious graduates equipped to shape society
- To provide education that promotes both intellectual initiative and the highest academic standards to prepare students for life and career
- To be the university of choice for business, industry and the professions in our areas of expertise
- To be recognised both nationally and internationally for the effectiveness of our teaching and the relevance of our research
- To provide a learning and working environment that inspires and promotes a culture of ambition, community and innovation.

We have seven strategic platforms which are a focus for action:

1. A student experience that inspires and enables students' ambitions
2. The development and impact of our research
3. The application of market insight and management data
4. The freedom to invest
5. A resource structure to drive the business
6. Gold standard customer service
7. An integrated international strategy.

While we can be proud of the progress made so far, we cannot and will not rest on our laurels. We are launching bold initiatives which aim to set new sector benchmarks for student employability and wide-ranging improvements which will further enhance the quality, innovation and professionalism of our teaching.

With the introduction of Key Information Sets for the sector, the spotlight will increasingly be shone on statistics such as the number of contact hours students have with academics. Important as they are, these figures are only part of the picture. At NTU, we believe in delivering a well-rounded, dynamic, diverse and inspirational learning experience, including an ever expanding range of opportunities outside the curriculum. The emphasis is on building brains: developing graduates who are ready and able to go far in their careers and lives.

We are determined to ensure that this distinctive NTU experience is open to all those with potential, regardless of their background and financial circumstances. True to the principle of fair access, we are not only investing in a substantial package of financial support to help students achieve their ambitions but also extending our acclaimed outreach work to raise the aspirations, improve the attainment and unlock the talents of young people who might otherwise assume university is not for them.

A sense of ambition and a commitment to adding value underpins all our endeavours.

Regulatory environment

Legal status

Nottingham Trent University is a Higher Education Corporation (HEC) established under the provisions of the Education Reform Act 1988. The powers of the University are specified in section 124 of that Act and further articulated in the Further and Higher Education Act 1992.

Charitable status

As a HEC, the University has exempt charitable status (which derives from the Charities Act 1993 and its successor legislation) and is subject to regulation by the Higher Education Funding Council for England (HEFCE) which is the Principal Regulator of exempt-charity Higher Education Institutions (HEIs) in England.

The members of the Board of Governors are also the Trustees of the University for the purposes of charity law.

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, and in accordance with the publication requirements set out by HEFCE in its role as Principal Regulator for exempt-charity higher education institutions in England.

The Financial Statements comprise the consolidated results of the University and its wholly owned subsidiary companies. The subsidiary companies are:

- Nottingham Consultants Limited undertakes those activities which, for legal or commercial reasons, are more appropriately channelled through a limited company;
- Nottingham Conference Centre Limited commenced trading in March 2010 and provides conference and catering facilities for external clients;
- 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 2010/11 the University reviewed the available guidance and the recent changes to the charitable status of Students Unions, and as a result took the decision to cease consolidating the accounts of Nottingham Trent University Union of Students within these financial statements.

The consolidation includes the University's share of the net assets and results of BioCity Nottingham Limited of which the University owns 50%.

Corporate and Social Responsibility

Nottingham Trent University prides itself on being a leader in corporate responsibility (CR), global citizenship and sustainable business practices. Commitment to our customers, staff, partners, communities and the environment is an integral part of the way we work. Operating with integrity and transparency, our aim is to drive CR throughout the organisation, integrating it with corporate strategy, decision making and risk assessment.

NTU's students, alumni and staff have all been involved in the 2012 Olympics, through supporting roles from coaching and volunteering, to designing the Olympic gardens, carrying the Olympic Torch as well as competing.

This year celebrated 10 years of volunteering at NTU. Over 1,000 of our students volunteer each year to work in schools, colleges and community organisations, primarily in deprived areas where progression rates into university are lower than average. The students help to raise pupil aspiration and attainment and support local community groups, whilst developing their own skills and enhancing their experience at university.

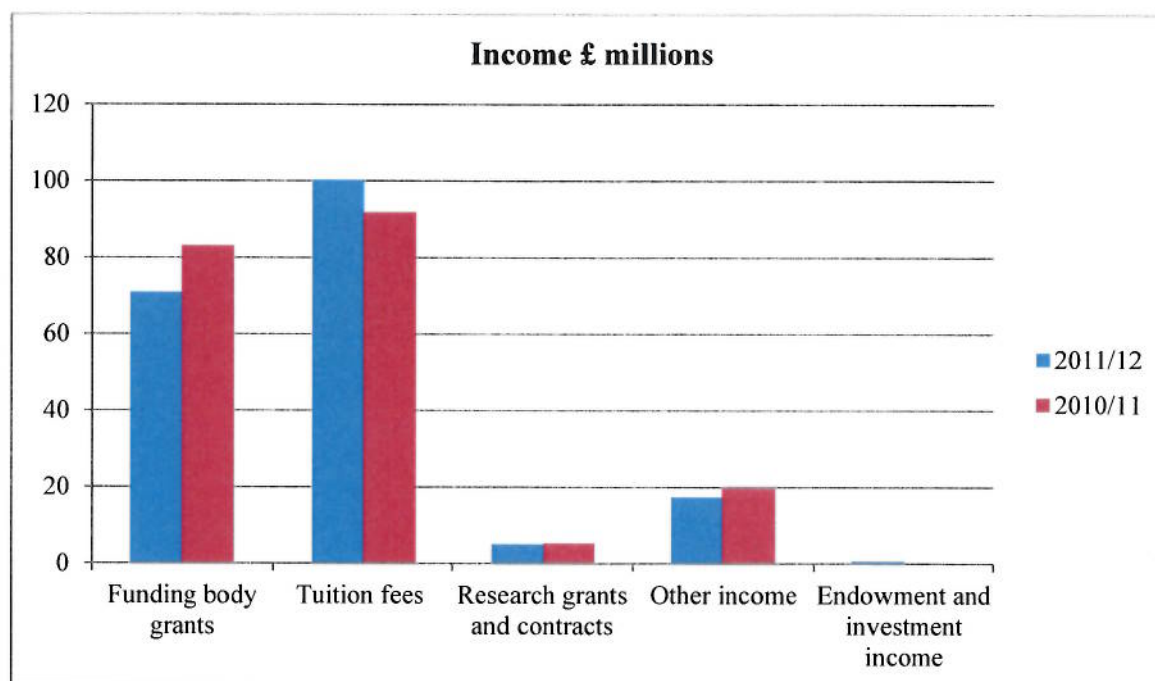
NTU was awarded Eco Campus Platinum status for its environmental performance and practices, held by only a few universities in the country. Maintaining our position in the top 5, out of 145 in the People & Planet Green League, we were presented with a First Class Award for the fourth year in a row.

NTU targets economic growth in the region through our Knowledge Transfer Partnerships, The Hive and Future Factory, as well as a wide range of public events and business services. Our award winning Nottingham Conference Centre provides state of the art facilities for organisations to host small or large events/meetings. It is also home to the East Midlands' regional office of the Institute of Directors.

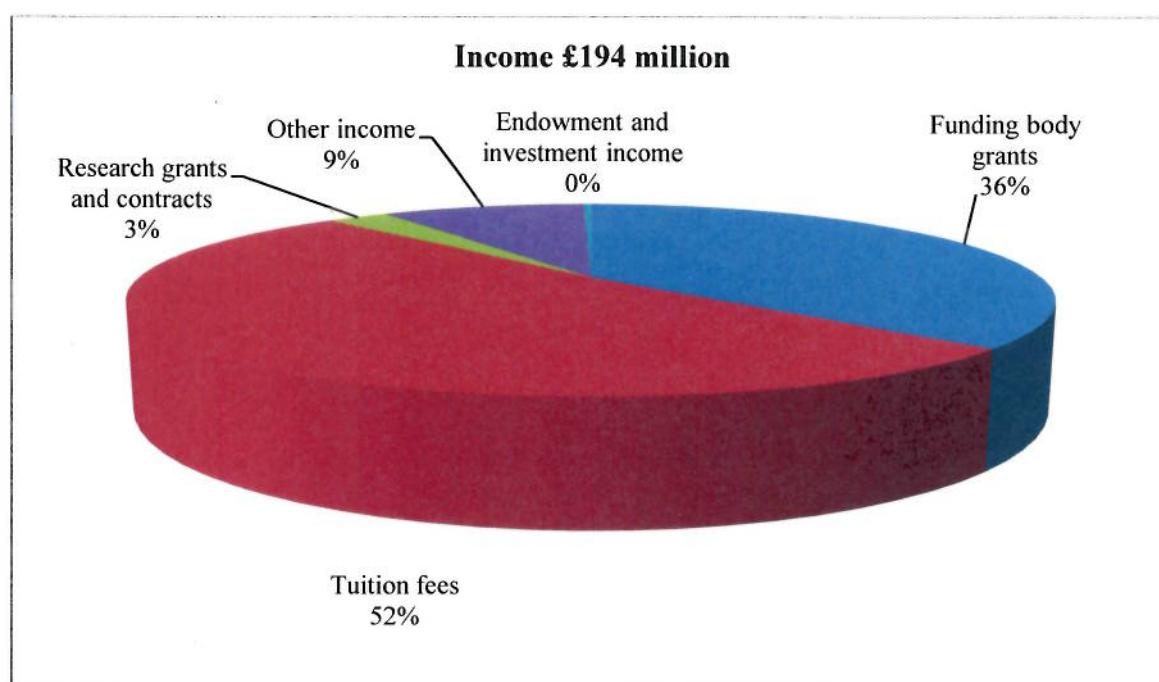
NTU's research is characterised by its orientation to real-world influence – by its capacity to shape lives and society, delivering economic, social or cultural benefit from research of the highest quality. We are at the forefront of biomedical research through the world-leading work of the John van Geest Cancer Research Centre and the Anthony Nolan Trust Cord Blood Bank and Research Institute.

Financial performance

Financial year 2011/12 has been notable for the reductions in grant funding implemented as part of the government's austerity measures. This University's grant funding reduced by some £12 million, materially impacting overall income which reduced by £5.6 million to £194.4 million.



This has begun the process of shifting overall university income from government grants to tuition fees and other income sources with government funding now accounting for 36% of total income.



Within this challenging funding environment cautious financial planning and solid financial management have enabled the university to produce an operating surplus (excluding accounting adjustments in respect of the local government pension scheme) of £7.6 million, 4% of income. This exceeds the budget and is in line with medium-term targets.

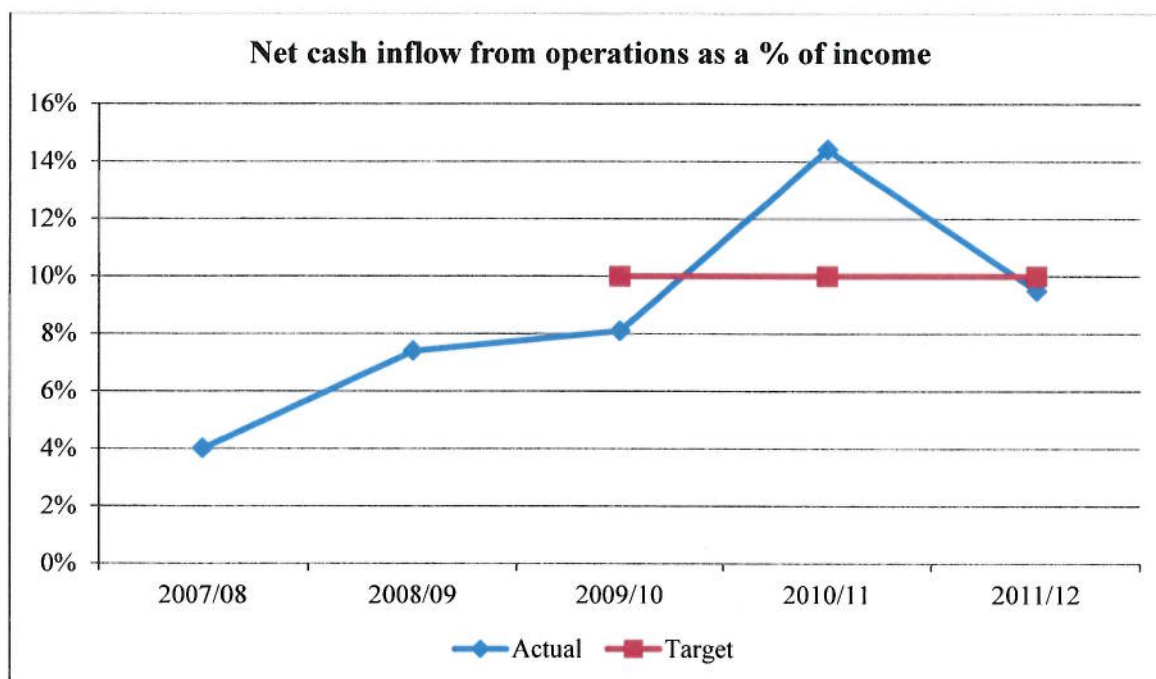
Income and Expenditure Account

A summary of the Income and Expenditure Account:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Income	194.4	200.0	187.1	178.2	161.6
Expenditure	186.8	188.9	184.3	176.3	161.7
Underlying operating surplus	7.6	11.1	2.8	1.9	-0.1
FRS 17	-4.0	-3.6	-4.9	-4.4	-2.9
Reported operating surplus	3.6	7.5	-2.1	-2.5	-3.0
Exceptional items	1.1		4.7		11.0
Impairment of assets	-3.1				
Release from revaluation reserve	4.8	1.8	1.8	1.8	1.8
Historic cost surplus	6.4	9.3	4.4	-0.7	9.8

Cash Flow

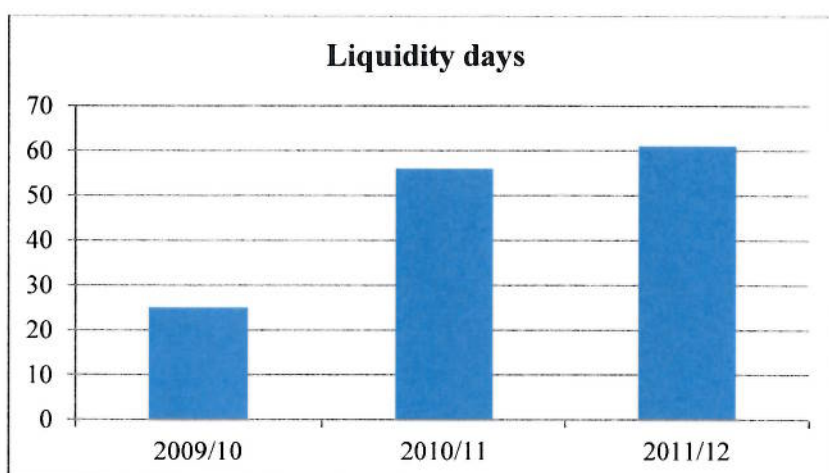
The chart below highlights operational cash flow trends.



The year-on-year change relates to the underlying operating surplus reduction and movement in creditors. Despite the significant grant funding reductions, the medium-term target of 10% was achieved, materially exceeding the 2011/12 budget.

At 31 July 2012 cash and investments totalled £28.8m equating to 61 days liquidity.

The charts below highlight trends in respect of liquidity.

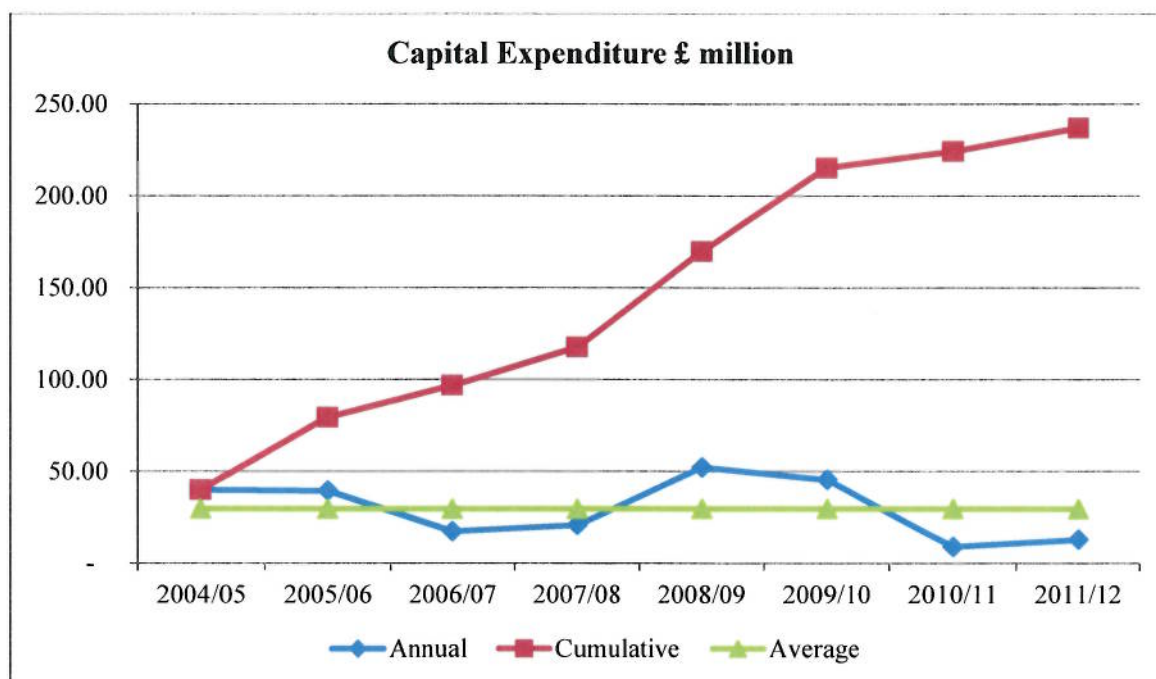


The treasury management policy is reviewed annually by the Finance Committee and Board of Governors.

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.

Balance Sheet

Since the launch of the 2004 Strategic Plan some £237 million has been invested in buildings and equipment. This averages almost £30 million per annum. Following the completion of a number of projects, most notably the refurbishment of the Newton and Arkwright buildings on the city campus, annual investment levels have reduced and are planned at £15 million per annum going forward.



Lower levels of annual capital investment combined with strong net cash inflow from operating activities have seen cash reserves continue to increase, net current assets increase and net debt reduce.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Fixed Assets	281.0	284.7	288.2	255.6	213.5
Endowment Assets	0.6	0.8			
	281.6	285.5	288.2	255.6	213.5
Current Assets (non-cash)	13.3	11.2	9.5	9.0	8.2
Cash and short-term deposits	28.8	26.7	12.0	29.0	21.4
Current Liabilities	-32.4	-34.7	-30.0	-28.8	-25.7
Net Current Assets	9.7	3.2	-8.5	9.2	3.9
Total Assets less Current Liabilities	291.3	288.7	279.7	264.8	217.4
Long-term creditors	-87.3	-88.8	-90.4	-92.0	-53.3
Provisions	-11.8	-12.0	-12.6	-12.0	-12.9
Net Assets excluding Pension Liability	192.2	187.9	176.7	160.8	151.2
Pension Liability	-91.1	-54.8	-74.0	-66.5	-58.9
Net Assets	101.1	133.1	102.7	94.3	92.3

During this financial year the University partnered with UPP Limited in a £42 million scheme to provide 911 bedrooms and new student facilities for sport and leisure as part of the Byron House redevelopment. This facility is due for completion in September 2013.

The year ahead

The 2012/13 year is the first where, through the student finance reforms, funding will follow students. Following the main enrolment period our updated financial forecasts predict a performance in line with 2011/12, a year where our overarching financial target, a net cash inflow from operations of 10% of income, was achieved. This has given us the confidence to continue to invest in infrastructure and projects that will further enhance the student academic experience

Principal Corporate Risks

Principal corporate risks are monitored on a weekly basis by the Senior Management Team with the Audit and Risk Management Committee responsible for ensuring that risk management systems are embedded and effective. Each principal corporate risk is assigned to a member of the Senior Management Team and mitigating actions are identified and acted upon.

Corporate Governance

Structure and operation

The University's Board of Governors comprises lay/independent, co-opted and staff members appointed in accordance with the Instrument and Articles of Government of the University. All of the lay/independent members are 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.

Matters specifically reserved to the Board of Governors for decision are set out in the Articles of Government of the University and the Financial Memorandum with the Higher Education Funding Council for England (HEFCE).

The Board of Governors meets at least four times a year and has established several Committees: a Membership Nominations Committee, a Remuneration and Employment Policy Committee, an Audit and Risk Management Committee, an Estates Committee, a Finance Committee and a fund-raising Development Board. All of these Committees are formally constituted with terms of reference and comprise lay/independent members of the Board of Governors and, where appropriate, co-opted (non-Governor) members with specific skills and expertise. Some of these Committees also include members of the University's Senior Management Team. Minutes of meetings of the Committees, along with reports from the Committees on specific issues, are submitted to the Board of Governors.

The Board of Governors has adopted the Governance Code of Practice published by the Committee of University Chairs (CUC), and seeks to organise and conduct its affairs in accordance with the principles of good practice articulated in that Code. The Board believes that, in all material respects, its conduct does accord with those principles.

Primary responsibilities of the Board of Governors

In accordance with its various legislative and regulatory obligations, the Board of Governors of the University is responsible for:

- Approving the mission and strategic vision of the institution, its long-term academic and business plans and key performance indicators, and ensuring that these meet the interests of stakeholders;
- Delegating authority to the Vice Chancellor (as chief executive and head of the institution) for the academic, corporate, financial, estate and personnel management of the institution;
- Ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment;
- Ensuring that processes are in place to monitor and evaluate the performance and effectiveness of the institution against its plans and approved key performance indicators;
- Establishing processes to monitor and evaluate the performance and effectiveness of the governing body itself;
- Appointing the Vice-Chancellor, as chief executive, and putting in place suitable arrangements for monitoring his/her performance;
- Appointing a Clerk to the governing body and ensuring that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability;
- Acting as the employing authority for all staff in the institution and to ensure the establishment of an appropriate human resources strategy;
- Ensuring that appropriate provisions are in place for the general welfare and discipline of students;

- Safeguarding the institution's assets, property and estate, and its reputation and values;
- Approving the annual budget and financial statements, and presenting audited financial statements for each financial year.

In respect of its obligations for financial management issues, 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 the Financial Memoranda agreed from time to time with HEFCE and in accordance with other relevant regulatory obligations, the Board of Governors is required to ensure (through its designated office holder) that financial statements are prepared 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 HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Financial Memoranda between the University and those bodies;
- 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.

Delivery of public benefit

In determining the educational character of the University and approving its strategic and operational plans, the Board of Governors has given careful consideration to the general guidance on public benefit issued by the Charity Commission, and in particular to the elements of guidance applicable to the advancement of education and on fee-charging.

Teaching, learning and community activity

The University's primary charitable object is reflected in its mission statement - "to deliver education and research that shape lives and society."

The University's major activity, in volume terms, is the delivery of undergraduate programmes, accessible to all irrespective of background or financial means. We seek to develop rounded graduates who have the skills, integrity and commitment to make a positive impact on the societies in which they live and work. Over 22,000 students were

enrolled on undergraduate programmes during the year, with more than 5,000 studying on postgraduate programmes.

Our programmes are designed to ensure that our graduates can and do make a substantial contribution to social and economic well-being in the UK and beyond.

The University strives to ensure that potential students are not barred or discouraged by financial constraints. In 2011/12, approximately 45% of our Home/EU undergraduates received a bursary from the University, and we provided students with over £8.5million in bursary and other support payments.

The University has extensive links with schools and colleges throughout the region to raise aspirations and attainment in schools, and to encourage participation in higher education by those from socially disadvantaged backgrounds. Partnerships with Further Education Colleges are a key element in the University's outreach work, building pathways from foundation degrees through degree courses and postgraduate training into the professions.

During 2011/12 we delivered over 600 outreach activities and engaged directly with nearly 32,000 participants across all age ranges. Over 650 students contributed nearly 20,000 volunteering hours to the local community. More than 300 NTU students were recruited to deliver activities in local schools and colleges, acting as mentors and classroom assistants, and over 240 NTU staff delivered 3,000 volunteering hours through a range of community-based schemes.

We provide a range of facilities and events that are open to the general public. This includes an on-going programme of free-to-attend distinguished lectures, which feature leading academics, business entrepreneurs and key decision-makers from the political arena, and well-known individuals working in fields such as fashion, science, the environment and sport.

Research

The University's research is characterised by its capacity to shape lives and society, delivering economic, social or cultural benefit from research of the highest quality.

The RAE2008 results for NTU showed that the quality of the University's research is outstanding, with 74% of activity submitted achieving international status and 8% classed as world-leading.

Our portfolio ranges from scientific research that saves lives to research in the Social Sciences that shapes government policy. World-leading research in cancer therapies and airport security are just two examples of activity that delivers direct public benefit.

More information on the University's wide range of activities, and the public benefits it delivers, can be found in the University's 2011 Annual Report.

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 2012 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 meetings of the Board of Governors.
 - b) The Board receives periodic reports from the Chairman of the Audit and Risk Management Committee concerning internal control.
 - c) The Senior Management Team is responsible for operational 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 Management 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.

Membership of the Board of Governors

Members of the Board of Governors are also the Trustees of the University for the purposes of charity law.

The members of the Board (the Trustees) who served at any time during the financial year to July 2012 and until the date the financial statements were formally approved were:

Independent members

Mr R Bullock, Chairman	
Mr AK Edwards, Deputy Chairman	
Mr AWW Brierley	
Mr JFP Farrell	
Ms S Ford-Hutchinson	- retired 5 March 2012
Mr RJ Freeston	
Mr M Freyd	
Ms N Hill	- appointed 18 June 2012
Mr K Hogarth	
Ms C Hogg	
Mr M Mason	
Mr TM Walmsley	
Mr JJH Watson	

Academic board member

Professor A Nollent

Student nominee

Mr J Ellison	- appointed 1 July 2012
Mr A Schulten	- retired 30 June 2012

General staff member


Mr JM Corbett	- appointed 1 December 2011
Mr S Goodman	- retired 14 November 2011

Vice-Chancellor

Professor NT Gorman

Chief Financial and Operations Officer

Mr JS Jackson



Mr R Bullock
Chairman



Professor NT Gorman
Vice-Chancellor

26 November 2012

Independent auditor's report to the Board of Governors of Nottingham Trent University

We have audited the group and University financial statements (the "financial statements") of Nottingham Trent University for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Governors, in accordance with paragraph 8 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 Board of Governors and auditor

As explained more fully in the Primary Responsibilities of the Board of Governors Statement set out on pages 10 and 11 the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

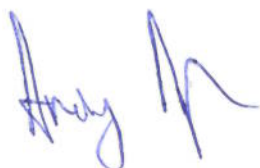
In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes;
- income has been applied in accordance with the University's articles of government; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control is inconsistent with our knowledge of the University and group.



Andy Argyle
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH
26 November 2012

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

Statement of principal accounting policies

Basis of preparation and 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the University and its subsidiaries Nottingham Consultants Limited, the Education Support Centre (UK) Limited and Nottingham Conference Centre Limited. A separate income and expenditure account dealing with the results of the University has not been presented. The University has reviewed the available guidance and the recent changes to the charitable status of Students Unions, and as a result has taken the decision to cease consolidating the accounts of Nottingham Trent University Union of Students within these financial statements. Prior year comparators have been restated to reflect the non-consolidation of the Union of Students accounts. The financial statements include a 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). Following the abolition of EMDA the University has continued to operate the joint venture in conjunction with the University of Nottingham. 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 Skills Funding Agency, the Education Funding Agency and the Teaching Agency 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 Skills Funding Agency, the Education Funding Agency and the Teaching Agency (see notes 35 to 39).

Statement of principal accounting policies *(continued)*

Post retirement benefits

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.

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.

Statement of principal accounting policies (continued)

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.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred up to 31 July. The assets are not depreciated until they are brought into use.

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	3 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.

Statement of principal accounting policies (continued)

Taxation

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable organisation for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Nottingham Consultants Limited, the Education Support Centre (UK) Limited and Nottingham Conference Centre 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 the subsidiary companies transfer all their taxable profits to the University to minimise the payment of corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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.

Accounting for charitable donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution.
2. Restricted expendable endowments - the donor has specified that a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Consolidated income and expenditure account
for the year ended 31 July 2012

	Note	2012 £m	2011 £m
Income			
Funding body grants	1	70.9	83.1
Tuition fees and education contracts	2	100.3	91.8
Research grants and contracts	3	5.1	5.2
Other income	4	17.4	19.6
Endowment and investment income	5	0.7	0.3
Total income		194.4	200.0
Expenditure			
Staff costs	6	111.3	109.5
FRS17 operating costs	6	2.3	1.8
Other operating expenses	7	57.5	61.4
Depreciation	11	13.8	13.7
Interest and other finance costs	8	4.2	4.3
Pension finance costs	8	1.7	1.8
Total expenditure		190.8	192.5
Surplus before exceptional items		3.6	7.5
Exceptional items: continuing operations			
Disposal of fixed assets	10	1.1	-
Impairment of fixed assets	10	(3.1)	-
Surplus on continuing operations after depreciation of assets at valuation and tax		1.6	7.5
Surplus for the year transferred to accumulated income in endowment funds		(0.1)	-
Surplus for the year retained within general reserves		1.5	7.5

Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2012

	2012 £m	2011 £m
Surplus retained within general reserves	1.6	7.5
Difference between an historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	4.8	1.8
Historical cost surplus for the year after tax	<u>6.4</u>	<u>9.3</u>

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2012

	2012 £m	2011 £m
Surplus retained within general reserves	1.6	7.5
Appreciation on fixed asset investments	-	-
Appreciation of endowment assets	-	-
New endowments	0.1	0.8
Actuarial (loss)/gain in respect of pension scheme	(32.3)	22.8
Total recognised (losses)/gains relating to the year	<u>(30.6)</u>	<u>31.1</u>

Balance sheets

as at 31 July 2012

	Note	Group 2012 £m	University 2012 £m	Group 2011 £m	University 2011 £m
Fixed assets					
Tangible assets	11	278.6	276.1	282.6	279.7
Investments	12	2.4	3.9	2.0	3.6
		<u>281.0</u>	<u>280.0</u>	<u>284.6</u>	<u>283.3</u>
Endowment assets	13	<u>0.6</u>	<u>0.6</u>	<u>0.8</u>	<u>0.8</u>
Current assets					
Stock	14	0.4	0.3	0.4	0.2
Debtors: due within one year	15	7.8	12.0	7.8	12.0
Debtors: due after more than one year	16	5.1	5.1	3.0	3.0
Short term deposits		21.4	21.4	24.5	24.5
Cash at bank and in hand		7.4	7.0	2.2	2.0
		<u>42.1</u>	<u>45.8</u>	<u>37.9</u>	<u>41.7</u>
Less: Creditors - amounts falling due within one year	17	<u>(32.4)</u>	<u>(31.3)</u>	<u>(34.7)</u>	<u>(33.6)</u>
Net current assets		<u>9.7</u>	<u>14.5</u>	<u>3.2</u>	<u>8.1</u>
Total assets less current liabilities		<u>291.3</u>	<u>295.1</u>	<u>288.6</u>	<u>292.2</u>
Less: Creditors - amounts falling due after more than one year	18	<u>(87.3)</u>	<u>(87.3)</u>	<u>(88.8)</u>	<u>(88.8)</u>
Less: Provisions for liabilities and charges	19	<u>(11.8)</u>	<u>(11.6)</u>	<u>(12.0)</u>	<u>(11.7)</u>
Net assets excluding pension liability		<u>192.2</u>	<u>196.2</u>	<u>187.8</u>	<u>191.7</u>
Net pension liability	30	<u>(91.1)</u>	<u>(91.1)</u>	<u>(54.8)</u>	<u>(54.8)</u>
Net assets including pension liability		<u>101.1</u>	<u>105.1</u>	<u>133.0</u>	<u>136.9</u>

Balance sheets *(continued)*
as at 31 July 2012

	Note	Group 2012 £m	University 2012 £m	Group 2011 £m	University 2011 £m
Deferred capital grants	20	55.2	55.2	56.2	56.2
Endowments					
Expendable	21	0.6	0.6	0.8	0.8
Reserves					
Income and expenditure account excluding pension liability		89.5	93.5	79.2	83.1
Pension reserve	23	(91.1)	(91.1)	(54.8)	(54.8)
Income and expenditure account including pension liability	23	(1.6)	2.4	24.4	28.3
Revaluation reserve	22	46.9	46.9	51.6	51.6
		45.3	49.3	76.0	79.9
Total funds		101.1	105.1	133.0	136.9

The financial statements were approved by the Board of Governors on 26 November 2012 and signed on its behalf by:



Mr R Bullock
Chairman



Professor NT Gorman
Vice Chancellor

Consolidated cash flow statement
for the year ended 31 July 2012

	<i>Note</i>	2012 £m	2011 £m
Net cash inflow from operating activities	24	18.5	28.8
Returns on investments and servicing of finance	25	(3.7)	(4.1)
Capital expenditure and financial investment	26	(11.3)	(7.4)
Cash inflow before management of liquid resources and financing		3.5	17.3
Management of liquid resources	27	3.1	(16.5)
Financing	28	(1.4)	(1.8)
Increase/(decrease) in cash	29	5.2	(1.0)

Reconciliation of net cash flow to movement in net debt
for the year ended 31 July 2012

	2012 £m	2011 £m
Increase/(decrease) in cash in the period	5.2	(1.0)
(Decrease)/increase in short term deposits	(3.1)	16.5
New loans acquired	-	-
Repayment of debt	1.4	1.8
Change in net debt	3.5	17.3
Net debt at 1 August	(63.2)	(80.5)
Net debt at 31 July	(59.7)	(63.2)

Notes

(forming part of the financial statements)

1 Funding body grants

	<i>Note</i>	2012 £m	2011 £m
Recurrent grant			
Higher Education Funding Council for England		62.9	69.7
Teaching Agency		3.4	4.2
Skills Funding Agency and Education Funding Agency		1.1	1.2
Specific grants			
Higher Education Funding Council for England		1.3	4.2
Teaching Agency		0.7	2.2
Deferred capital grants released in year	<i>20</i>		
Buildings		1.3	1.3
Equipment		0.2	0.3
		70.9	83.1

2 Tuition Fees and Education Contracts

	2012 £m	2011 £m
Full-time home and EU students	63.4	58.5
Full-time international students	23.7	20.2
Part-time students	1.3	1.3
Other fees and support grants	11.9	11.8
	100.3	91.8

Notes (continued)

3 Research grants and contracts

	2012 £m	2011 £m
Research councils and charities	2.5	3.0
Industry and commerce	0.8	0.7
Governmental	1.8	1.5
	<u>5.1</u>	<u>5.2</u>

4 Other income

	Note	2012 £m	2011 £m
Residences, catering and conferences		6.7	6.4
Other income generating activities		10.3	12.8
Released from deferred capital grants	20	0.4	0.4
		<u>17.4</u>	<u>19.6</u>

5 Endowment and Investment Income

	2012 £000	2011 £000
Income from short term investments	0.7	0.3
	<u>0.7</u>	<u>0.3</u>

Notes (continued)

6 Staff costs

	2012 £m	2011 £m
<i>Employee costs:</i>		
Wages and salaries	91.2	90.0
Social security costs	7.4	7.2
Other pension costs	12.7	12.3
	<hr/>	<hr/>
	111.3	109.5
FRS17 operating costs	2.3	1.8
	<hr/>	<hr/>
	113.6	111.3
	<hr/>	<hr/>

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

	2012 Number	2011 Number
Teaching departments	1,084	1,066
Teaching support services	580	582
Other support services	71	78
Administration and central services	525	518
Premises	279	268
Other	20	20
	<hr/>	<hr/>
	2,559	2,532
	<hr/>	<hr/>

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.

	2012 £000	2011 £000
Emoluments of the Vice Chancellor excluding pension contributions	300	294
The University's pension contributions including contributions to the USS	43	42
	<hr/>	<hr/>

During 2009/10 the University agreed a long-term incentive scheme with the Vice Chancellor under which the Vice Chancellor will accrue a proportion of his salary in bonus which would not become payable until 2012/13.

Notes *(continued)*

6 Staff costs *(continued)*

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

	2012	2011
	Number	Number
£100,001 - £110,000	-	1
£110,001 - £120,000	2	4
£120,001 - £130,000	2	1
£130,001 - £140,000	1	-
£140,001 - £150,000	1	-
£160,001 - £170,000	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.

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

Notes (continued)

7 Other operating expenses

	2012 £m	2011 £m
Academic departments	15.2	16.7
Academic services	8.6	8.0
Administration and central services	20.0	19.6
Premises	10.0	11.6
Residences, catering and conferences	1.2	2.9
Research grants and contracts	2.5	2.6
	<u>57.5</u>	<u>61.4</u>

Other operating expenses include:

	£000	£000
External auditors remuneration in respect of audit services	54	45
External auditors remuneration in respect of non-audit services	42	48
Operating lease rentals	1,980	2,415
	<u></u>	<u></u>

Trustees

No trustee has received any remuneration/waived payments from the group during the year (2011: none).

The total expenses paid to or on behalf of 18 trustees was £5,585 (2011 £7,384 to 18 trustees). This represents travel and subsistence expenses incurred in attending Board of Governors and Committee meetings and Charity events in their official capacity.

8 Interest payable

	2012 £m	2011 £m
Bank and other loans not wholly repayable within five years	4.2	4.3
Pension finance costs	1.7	1.8
	<u>5.9</u>	<u>6.1</u>

Notes (continued)

9 Surplus on continuing operations for the period

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

	2012 £m	2011 £m
University surplus for the period	1.8	9.2
Deficits generated by subsidiary undertakings and transferred to the University under a gift aid payment	(0.3)	(1.9)
Share of profit in joint venture	0.1	0.2
	<u>1.6</u>	<u>7.5</u>

10 Exceptional items

The exceptional items are made up as follows:

	2012 £m	2011 £m
Disposal of fixed assets	1.1	-
Impairment of fixed assets	(3.1)	-
	<u>(2.0)</u>	<u>-</u>

The gain on disposal of fixed assets relates to the Byron House redevelopment (see note 11).

Notes (continued)

11 Tangible assets

	Group Freehold land and buildings £m	Group Fixtures and fittings £m	Group Furniture and equipment £m	Group Assets under course of construction £m	Group Total £m
<i>Cost or valuation:</i>					
At 1 August 2011	314.6	31.0	86.7	2.1	434.4
Additions	0.6	8.0	3.0	1.3	12.9
Disposals	(4.1)	(0.4)	-	-	(4.5)
Transfers	-	0.7	0.1	(0.8)	-
At 31 July 2012	311.1	39.3	89.8	2.6	442.8
<i>Accumulated depreciation:</i>					
At 1 August 2011	69.0	11.2	71.6	-	151.8
Charge for the year	5.9	2.2	5.7	-	13.8
Disposals	(1.1)	(0.3)	-	-	(1.4)
At 31 July 2012	73.8	13.1	77.3	-	164.2
<i>Net book value:</i>					
At 31 July 2012	237.3	26.2	12.5	2.6	278.6
At 31 July 2011	246.0	19.7	15.1	1.8	282.6

Notes (continued)

11 Tangible assets (continued)

	University Freehold land and buildings £m	University Fixtures and fittings £m	University Furniture and equipment £m	University Assets under course of construction £m	University Total £m
<i>Cost or valuation:</i>					
At 1 August 2011	312.5	28.2	82.7	2.1	425.5
Additions at cost	0.6	8.0	3.0	1.3	12.9
Disposals at cost	(4.1)	(0.4)	-	-	(4.5)
Transfers	-	0.7	0.1	(0.8)	-
At 31 July 2012	309.0	36.5	85.8	2.6	433.9
<i>Depreciation:</i>					
At 1 August 2011	68.6	9.2	68.0	-	145.8
Charge for the year	5.8	2.1	5.5	-	13.4
Eliminated on disposals	(1.1)	(0.3)	-	-	(1.4)
At 31 July 2012	73.3	11.0	73.5	-	157.8
Net book value:					
At 31 July 2012	235.7	25.5	12.3	2.6	276.1
At 31 July 2011	243.9	19.0	14.7	2.1	279.7

Freehold land with a book value of £9,692,000 (2011: £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 Skills Funding Agency 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.

In 1999/2000 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.

During 2007/08 the University entered into an amended lease agreement with UPP Group Limited and UPP Nottingham Limited for the majority of its student residences. The University received consideration totalling £11,032,000 in 2007/08 in respect of this transaction, including a 20% shareholding in UPP Nottingham Limited and an entitlement to loan notes to be issued by UPP Nottingham Limited. In 2009/10 the University received consideration totalling £652,000 in respect of an additional entitlement to loan notes. The leases are for 40 years maturing in 2048 and at the conclusion of the leases the properties will revert to the University. This reversionary interest is included within fixed assets at valuation.

Notes (continued)

11 Tangible assets (continued)

In 2009/10 the University entered into a new lease agreement with UPP (Clifton) Limited for the provision of a new student residence on the Clifton campus. The University received a gross consideration totalling £7,333,000 in the year, which net of costs totalled £6,880,000. The transaction included a 20% shareholding in UPP (Clifton) Limited and an entitlement to loan notes to be issued by UPP (Clifton) Limited. The lease is co-terminus with the existing UPP agreements and at the conclusion of the lease the properties will revert to the University. During the year the University has entered into a new lease agreement with UPP (Byron) Limited for the provision of a new student residence and new Students Union building on the City campus. The University received a premium of £1,833,000 in respect of the agreement. The transaction includes a 20% shareholding in UPP (Byron) Limited and an entitlement to loan notes to be issued by UPP (Byron) Limited.

The University has entered a joint venture agreement and formed BioCity Nottingham Limited with the University of Nottingham and EMDA. Following the abolition of EMDA the University has continued the joint venture arrangement with the University of Nottingham. 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 was included in freehold land and buildings at an open market value of £2,500,000 as determined by an independent valuation carried out during March 2001. During the year management have reviewed the carrying value of this property for impairment and confirmed that there is no permanent diminution in value at 31 July 2012.

12 Investments

	Group 2012 £m	University 2012 £m	Group 2011 £m	University 2011 £m
Subsidiary companies	-	2.2	-	2.2
Other investments	2.4	1.7	2.0	1.4
	<u>2.4</u>	<u>3.9</u>	<u>2.0</u>	<u>3.6</u>

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, 1 ordinary share of £1 in Nottingham Conference Centre 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 has acquired 20% of the equity in UPP Nottingham Limited, UPP Clifton Limited and UPP (Byron) Limited as a result of the lease agreements for the majority of its student residences.

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. Following the abolition of EMDA the University has continued the joint venture arrangement with the University of Nottingham. The University is continuing to treat Biocity as a joint venture rather than fully consolidating their results into the financial statements on the grounds of materiality. The joint venture has a year-end of 31 December.

Notes (continued)

12 Investments (continued)

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

	2012 £m	2011 £m
Gross assets	1.1	1.0
Gross liabilities	-	-
Net assets	<u>1.1</u>	<u>1.0</u>

The group holds shares in a number of spin out companies. 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	-
CompanDx Limited	49	550	-
SiActive Limited	27	25	-
Gyrometric Limited	42	85	-
Voicekey Limited	49	450	-

The above subsidiaries are all incorporated in Great Britain.

The group also holds shares in a number of companies which have been set up through the HIVE. Details of these investments have not been disclosed due to their insignificant nature.

Notes (continued)

13 Endowment assets

	Group and University	
	2012	2011
	£m	£m
Balance at 1 August	0.8	-
New endowments invested	0.1	0.8
Transfer to fixed asset investments	(0.2)	-
Increase in cash balances held for endowment funds	(0.1)	-
Balance at 31 July	0.6	0.8
Represented by		
Securities	-	0.3
Cash at bank held for endowment funds	0.6	0.5
Total endowment assets	0.6	0.8

14 Stock

	Group	University	Group	University
	2012	2012	2011	2011
	£m	£m	£m	£m
Consumables	0.2	0.3	0.2	0.2
Goods for resale	0.2	-	0.2	-
	<u>0.4</u>	<u>0.3</u>	<u>0.4</u>	<u>0.2</u>

15 Debtors: amounts falling due within one year

	Group	University	Group	University
	2012	2012	2011	2011
	£m	£m	£m	£m
Trade debtors	5.4	4.9	6.2	5.9
Amounts owed by subsidiary undertakings	-	4.9	-	4.6
Prepayments	0.5	0.3	0.7	0.6
Accrued income	1.9	1.9	0.9	0.9
	<u>7.8</u>	<u>12.0</u>	<u>7.8</u>	<u>12.0</u>

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

Notes (continued)

16 Debtors: amounts falling due after more than one year

	Group 2012 £m	University 2012 £m	Group 2011 £m	University 2011 £m
Loan notes (see note 11)	5.1	5.1	3.0	3.0
	<u>5.1</u>	<u>5.1</u>	<u>3.0</u>	<u>3.0</u>
	<u><u>5.1</u></u>	<u><u>5.1</u></u>	<u><u>3.0</u></u>	<u><u>3.0</u></u>

17 Creditors: amounts falling due within one year

	Group 2012 £m	University 2012 £m	Group 2011 £m	University 2011 £m
Bank loan	1.6	1.6	1.6	1.6
Finance leases	-	-	-	-
General creditors	6.2	6.1	4.7	4.5
Social security and other taxation payments	3.4	3.3	4.3	4.3
Other creditors	0.1	0.1	0.1	0.1
Accruals	10.6	10.3	12.6	12.3
Deferred income	10.5	9.9	11.4	10.8
	<u>32.4</u>	<u>31.3</u>	<u>34.7</u>	<u>33.6</u>
	<u><u>32.4</u></u>	<u><u>31.3</u></u>	<u><u>34.7</u></u>	<u><u>33.6</u></u>

Notes (continued)

18 Creditors: amounts falling due after more than one year

	Group 2012 £m	University 2012 £m	Group 2011 £m	University 2011 £m
Unsecured loans	86.2	86.2	87.9	87.9
Salix revolving green fund	1.1	1.1	0.9	0.9
	<u>87.3</u>	<u>87.3</u>	<u>88.8</u>	<u>88.8</u>

Analysis of debt:

	Group and University	
	2012 £m	2011 £m
<i>Amounts falling due:</i>		
Between one and two years	1.8	1.7
Between two and five years	5.9	5.6
In more than five years	79.6	81.5
	<u>87.3</u>	<u>88.8</u>

Of the loans outstanding, £25m is fixed at a rate of 4.88% until October 2030, £10m is fixed at 4.94% until October 2023, £15m is fixed at 4.90% until October 2026, £5m is fixed at 4.93% until October 2022 and £40m is fixed at 4.58% until December 2038. The loans are repayable in instalments in the period to December 2038 with the exception of the £40m which is repayable in a single amount at the end of the loan period.

The Salix fund is a loan received from HEFCE through its partnership with Salix Finance Limited, specifically for the purpose of funding energy efficiency and low carbon technologies. The loan is at a 0% rate of interest and is repayable in greater than five years.

Notes (continued)

19 Provisions for liabilities and charges

	Group		
	Pensions £m	Dilapidations £m	Onerous rent £m
At 1 August 2011	10.7	1.0	0.3
Transfer from income and expenditure account	0.7	-	-
	11.4	1.0	0.3
Utilised in year	(0.8)	-	(0.1)
At 31 July 2012	10.6	1.0	0.2

	University		
	Pensions £m	Dilapidations £m	Total £m
At 1 August 2011	10.7	1.0	11.7
Transfer from income and expenditure account	0.7	-	0.7
	11.4	1.0	12.4
Utilised in year	(0.8)	-	(0.8)
At 31 July 2012	10.6	1.0	11.6

Refer to note 30 for an explanation of the nature of the pensions provision. The dilapidations provision relates to the estimated cost of exiting leased properties.

Notes *(continued)*

20 Deferred capital grants

	Group and University		
	Funding councils £m	Other grants £m	Total £m
At 1 August 2011			
Buildings	46.6	8.6	55.2
Equipment	0.6	0.4	1.0
Total	47.2	9.0	56.2
Cash received			
Buildings	0.6	-	0.6
Equipment	-	0.3	0.3
Total	0.6	0.3	0.9
Released to income and expenditure			
Buildings	1.3	0.2	1.5
Equipment	0.2	0.2	0.4
Total	1.5	0.4	1.9
At 31 July 2012			
Buildings	45.9	8.4	54.3
Equipment	0.4	0.5	0.9
Total	46.3	8.9	55.2

Notes (continued)

21 Endowment funds and connected charities

	Restricted Expendable £m	2012 Total £m	2011 Total £m
At 1 August 2011			
Capital	0.8	0.8	-
Accumulated income	-	-	-
	<u>0.8</u>	<u>0.8</u>	<u>-</u>
New endowments	0.1	0.1	0.8
Transfer to deferred capital grants	(0.2)	(0.2)	-
Expenditure	(0.1)	(0.1)	-
	<u>0.6</u>	<u>0.6</u>	<u>0.8</u>
At 31 July 2012	<u>0.6</u>	<u>0.6</u>	<u>0.8</u>
Represented by:			
Capital	0.6	0.6	0.8
Accumulated income	-	-	-
	<u>0.6</u>	<u>0.6</u>	<u>0.8</u>

Restricted expendable endowments includes £0.6m relating to connected institutions under paragraph 28 in Schedule 3 to the Charities Act 2011. This relates to funds received from The van Geest Foundation Cancer Research Fund, a charitable trust established to administer funds donated by the John and Lucille van Geest Foundation. The objects of the fund are to advance education at the University into all aspects of cancer biology and contribute towards or meet the costs of cancer research undertaken at the University and the publication of the useful results of such research.

The NTU Alumni and Donors gift fund is the University's main fund raising vehicle. This fund totals £0.2m from 2,458 donations. Funds raised may be applied generally to support the University.

22 Revaluation reserve

	Group and University	
	2012 £m	2011 £m
Balance brought forward at 1 August	51.6	53.4
Released to income and expenditure reserve in year	(1.8)	(1.8)
Disposal of properties	(3.0)	-
Revaluation of fixed asset investments	0.1	-
At 31 July	<u>46.9</u>	<u>51.6</u>

Notes (continued)

23 Movement on general reserves

Income and expenditure account

	Group £m	University £m
At 1 August 2011	24.4	28.2
Surplus for the year retained within general reserves	1.5	1.7
Transfer from revaluation reserve to income and expenditure account	4.8	4.8
Actuarial (loss)/gain in respect of pension scheme	(32.3)	(32.3)
At 31 July 2012	(1.6)	2.4

Represented by:

	Group £m	University £m
Income and expenditure reserve excluding pension reserve	89.5	93.5
Pension reserve	(91.1)	(91.1)
At 31 July 2012	(1.6)	2.4

24 Reconciliation of consolidated operating surplus to net cash from operating activities

	2012 £m	2011 £m
Surplus after depreciation of assets at valuation and after tax	3.6	7.5
Release of capital grant (note 20)	(1.9)	(2.0)
Depreciation (note 11)	13.8	13.7
(Increase)/decrease in stock	-	-
Increase in debtors	(1.9)	(1.2)
Decrease)/increase in creditors	(2.3)	4.0
(Decrease)/increase in provisions	(0.1)	(0.6)
Interest payable	4.2	4.3
Interest receivable	(0.7)	(0.3)
Pension cost less contributions payable	3.9	3.6
Share of profit in joint venture	(0.1)	(0.2)
Net cash inflow from operating activities	18.5	28.8

Notes *(continued)*

25 Returns on investments and servicing of finance

	2012 £m	2011 £m
Income from short term investments	0.5	0.2
Interest paid	(4.2)	(4.3)
	<u>(3.7)</u>	<u>(4.1)</u>
	<u><u></u></u>	<u><u></u></u>

26 Capital expenditure and financial investment

	2012 £m	2011 £m
Tangible assets acquired	(12.9)	(8.5)
Sale of fixed assets	1.1	-
Endowment funds received	0.1	0.8
Endowment funds invested	(0.3)	-
Purchase of investments	(0.1)	-
Deferred capital grants received (note 20)	0.8	0.3
	<u>(11.3)</u>	<u>(7.4)</u>
	<u><u></u></u>	<u><u></u></u>

27 Management of Liquid Resources

	2012 £m	2011 £m
Withdrawal from/(placing of) deposits	3.1	(16.5)
	<u></u>	<u></u>

28 Financing

	2012 £m	2011 £m
New loans	-	-
Repayment of amounts borrowed	(1.4)	(1.8)
Net cash outflow	<u>(1.4)</u>	<u>(1.8)</u>
	<u><u></u></u>	<u><u></u></u>

Notes (continued)

29 Analysis of changes in net debt

	At 1 August 2011 £m	Cash flows £m	Other Changes £m	At 31 July 2012 £m
Cash at bank and in hand	2.2	5.2	-	7.4
Endowment assets	0.5	0.1	-	0.6
Short term deposits	24.5	(3.1)	-	21.4
Debt due within one year	(1.6)	1.3	(1.5)	(1.8)
Debt due after one year	(88.8)	-	1.5	(87.3)
	<u>(63.2)</u>	<u>3.5</u>	<u>-</u>	<u>(59.7)</u>

30 Pension and similar obligations

The University participates, principally, in two pension schemes, the Teachers Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). It also participates in the Universities Superannuation Scheme (USS), which is a multi-employer defined benefit pension scheme where the University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, as required by FRS 17 "Retirement Benefits", the University has accounted for its contributions as if it were a defined contribution scheme. As a result the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Due to the small number of participants and low value of contributions to USS no disclosures have been made under FRS 17 on the grounds of materiality.

Total pension cost for the year

	2012 £m	2012 £m	2011 £m	2011 £m
TPS contributions paid		5.8		5.8
LGPS:				
Contributions paid	5.6		5.3	
FRS 17 charge	2.3		2.0	
	<u></u>	<u></u>	<u></u>	<u></u>
Charge to the income and expenditure account		7.9		7.3
Contributions paid to other pension schemes		0.5		0.5
Enhanced pension charge		0.8		0.7
Total pension cost for year		15.0		14.3

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS was 31 March 2010.

Notes (continued)

30 Pension and similar obligations (continued)

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 normally 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 2004
Valuation method	Prospective benefits
Market value of assets at date of last valuation	£162,650m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88%
Investment return per annum	6.5%
Salary scale increases per annum	5.0%

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For this accounting period the employer contribution rate was 14.1%. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

Under the definitions set out in Financial Reporting Standard 17 "Retirement Benefits" (FRS 17), the TPS is a multi-employer defined benefit 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 as if it were a defined contribution scheme.

Local Government Pension Scheme

The LGPS 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 trustees on the advice of the actuary and during this accounting period were equal to 15.5%. A valuation by the Fund's actuary was carried at 31 March 2010 and the fund position is detailed below:

NCCPF Fund position at last valuation

Latest actuarial valuation	31 March 2010
Valuation method	Projected unit
Value of assets	£2,637m
Funding level for accrued benefits	84.0%
	<i>Future service liabilities</i>
Investment return per annum	
- equities	7.5%
- gilts	4.5%
- bonds and property	5.6%
Salary scale increases per annum	5.0%
Price inflation	3.5%
Pension increase per annum	3.0%

Notes *(continued)*

30 Pension and similar obligations *(continued)*

The material assumptions used by the Actuary at 31 July 2012 were:

	31 July 2012	31 July 2011
Rate of inflation	1.8%	2.7%
Rate of increase in salaries	4.0%	5.0%
Rate of increase in pensions	1.8%	2.7%
Discount rate for liabilities	3.9%	5.3%

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

	2012 Years	2011 Years
<i>Retiring today</i>		
Males	18.6	18.5
Females	22.7	22.6
<i>Retiring in 20 years</i>		
Males	20.6	20.5
Females	24.5	24.5

Notes (continued)

30 Pension and similar obligations (continued)

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

	2012		2011	
	Long term rate of return expected at 31 July 2012	Value at 31 July 2012 £m	Long term rate of return expected at 31 July 2011	Value at 31 July 2011 £m
Equities	5.8%	91.1	7.0%	94.5
Government bonds	2.8%	15.2	4.0%	10.8
Other bonds	3.9%	5.5	5.3%	5.4
Property	3.8%	18.0	5.0%	16.2
Cash	0.5%	5.5	3.0%	6.8
Other	5.8%	2.8	7.0%	1.3
		<hr/>		<hr/>
Total market value of assets		138.1		135.0
		<hr/>		<hr/>

The following amounts at 31 July 2012 were measured in accordance with the requirements of FRS 17:

Analysis of the amount shown in the balance sheet	2012 £m	2011 £m
The institution's estimated asset share	138.1	135.0
Present value of the institution's scheme liabilities	(229.2)	(189.8)
	<hr/>	<hr/>
Deficit in the scheme - Net pension liability	(91.1)	(54.8)
	<hr/>	<hr/>

Notes *(continued)*

30 Pension and similar obligations *(continued)*

Analysis of the amount charged to operating deficit

	2012 £m	2011 £m
Current service cost	8.0	7.2
Curtailment cost	-	0.1
Total operating charge	8.0	7.3

Analysis of the amount charged to interest payable

	2012 £m	2011 £m
Expected return on pension scheme assets	8.5	7.4
Interest on pension scheme liabilities	(10.2)	(9.2)
Net charge	(1.7)	(1.8)

Amounts recognised in the statement of total recognised gains and losses

	2012 £m	2011 £m
Expected return less actual return on pension scheme assets	(8.9)	13.0
Experience gains and losses	0.1	2.4
Changes in assumptions underlying the present value of scheme liabilities	(23.5)	7.4
Actuarial (loss)/gain recognised	(32.3)	22.8

Notes *(continued)*

30 Pension and similar obligations *(continued)*

Analysis of the movements in the present value of scheme liabilities

	2012 £m	2011 £m
At beginning of year	189.8	187.0
Current service cost	8.0	7.2
Contributions	2.4	2.3
Past service gains	-	-
Benefits paid	(4.6)	(4.6)
Interest cost	10.2	9.2
Curtailments and settlements	-	0.1
Actuarial loss/(gain)	23.4	(11.4)
At end of year	229.2	189.8

Analysis of the movements in the market value of the scheme assets

	2012 £m	2011 £m
At beginning of year	135.0	113.0
Expected return on assets	8.5	7.4
Actuarial (loss)/gain	(8.9)	11.4
Employer contributions	5.7	5.5
Employee contributions	2.4	2.3
Benefits paid	(4.6)	(4.6)
At end of year	138.1	135.0

Notes (continued)

30 Pension and similar obligations (continued)

History of experience gains and losses

	2012	2011	2010	2009	2008
Difference between expected and actual return on scheme assets:					
Amount (£m)	(8.9)	11.4	5.4	(12.8)	(16.0)
Percentage of scheme assets	6.4%	8.4%	4.8%	13.0%	15.9%
Experience gains and losses on scheme liabilities:					
Amount (£m)	-	4.0	-	-	3.2
Percentage of scheme liabilities	-	2.1%	-	-	2.0%
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£m)	(32.3)	22.8	(11.4)	(3.2)	(14.3)
Percentage of scheme liabilities	14.1%	12.0%	6.1%	2.0%	9.2%

The pension charge for the year was £12,689,000 (2011: £12,267,000); 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% (2011: 3.5%) in excess of price inflation.

A provision of £688,000 (2011: £691,000) has been made in the 2012 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 (see note 19).

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

Notes (continued)

31 Contingent 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.

32 Operating lease commitments

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

	2012 £m	2011 £m
<i>Leases of buildings expiring:</i>		
In two to five years	1.0	1.0
	<u>1.0</u>	<u>1.0</u>
	<u><u>1.0</u></u>	<u><u>1.0</u></u>
	2012 £m	2011 £m
<i>Leases of plant and equipment expiring:</i>		
Within one year	0.2	1.4
In two to five years	0.1	0.2
	<u>0.3</u>	<u>1.6</u>
	<u><u>0.3</u></u>	<u><u>1.6</u></u>

33 Capital commitments

As at 31 July the group had a commitment to purchase a property with a value of £608,000.

Notes (continued)

34 Related party transactions

The University controls 100% of the voting rights of all subsidiary undertakings. Therefore the university 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.

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arms length and in accordance with the University's financial regulations and normal procurement procedures.

Mr A Schulten and Mr TM Walmsley, in addition to being University Governors/Trustees, were also members of the Board of Trustees of the Nottingham Trent University Students Union. Transactions with a total value of £1.6m relating to block grant and other activities took place between the University and the Union of Students.

No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

35 Access funds

	2012 £000	2011 £000
HEFCE grants	468	592
Interest earned	1	1
	<u>469</u>	<u>593</u>
Disbursements to students	(461)	(546)
Balance unspent at 31 July	<u><u>8</u></u>	<u><u>47</u></u>

Funding body 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

	2012 £000	2011 £000
Skills Funding Agency grants	65	40
	<u>65</u>	<u>40</u>
Disbursements to students	(52)	(28)
Balance unspent at 31 July	<u><u>13</u></u>	<u><u>12</u></u>

Funding body 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 (continued)

37 Teaching Agency bursaries

	2012 £000	2011 £000
Teaching Agency bursaries	1,054	2,271
Disbursements to students	1,054 (869)	2,271 (2,198)
Balance unspent at 31 July	185	73

Funding body 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

	2012 £000	2011 £000
HEFCE grants	83	192
Disbursements to students	83 (64)	192 (186)
Balance unspent at 31 July	19	6

Funding body 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 Teaching Agency grants

	2012 £000	2011 £000
Teaching Agency grants	1,810	1,320
Disbursements to students	1,810 (1,591)	1,320 (1,237)
Balance unspent at 31 July	219	83

Funding body 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.