

Nottingham Trent University

Financial Statements

31 July 2010

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Operating and Financial Review

Regulatory

Regulatory environment

The University is a Higher Education Corporation incorporated under the Education Reform Act 1988. The powers of Higher Education Corporations are defined in Section 124 of the Act and include the power to provide higher and further education and to carry out research and publish the results of research as the University thinks fit. The University also enjoys exempt charitable status under the Act and is regulated by the Higher Education Funding Council for England. In 1992, the Privy Council confirmed its formal approval of a change of name from Nottingham Polytechnic to Nottingham Trent University under the terms of the Further and Higher Education Act 1992. The University is also an exempt charity under the terms of the Charities Act 2006, and is subject to regulation by the Higher Education Funding Council for England (HEFCE) which acts as Principal Regulator for exempt-charity higher education institutions in England.

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 Law School Limited ceased to trade as at 31 July 2009. Law education continues to be provided through Nottingham Trent University and Nottingham Consultants Limited;
- 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 addition, these Financial Statements contain the Financial Statements of Nottingham Trent University Union of Students, following implementation of the Education Act 1994, and consolidation of BioCity Limited of which the University owns one-third.

Strategy

When the original Strategic Plan was launched six years ago it brought together ideas from academia and the world of business, and launched six Strategic Platforms:

1. A Course Portfolio that Meets our Mission;
2. The Application of Market Intelligence;
3. Freedom to Invest and Innovate;
4. A Resource Structure to Drive the Business;
5. Gold Standard Customer Service;
6. Strengthening Organic Growth by Collaboration, Partnerships and Acquisitions.

These university-wide initiatives instigated change in the University, putting us in a position to deliver our mission and achieve our aims.

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

Our aims are:

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

Much has been achieved in the period 2004 - 2010. In just one year, a new organisational structure was introduced and a new brand, the entire course portfolio reviewed, new e-systems launched, a major estate regeneration programme began, and a partnership with Kaplan Inc was formed to launch our new International College.

There has been a step change in performance. Research grant and contract income has grown by 55% and the HEFCE research grant increased by over 72% as a result of our performance in RAE 2008. In 2008, we achieved the largest increase in demand for our undergraduate degree courses of any UK university; and, between 2008 and 2010, we achieved growth in undergraduate demand of nearly 36%. Our international admissions have grown by 15% year on year. We have transformed our estate through an ambitious regeneration programme. We have gained attention both nationally and internationally for the way we work as a university. Our ability to move with speed and efficiency has secured strong and profitable partnerships. We began a drive in sustainability and, in 2009, gained first place in The People and Planet Green League.

We have regularly updated our Strategic Plan and, before launching a new edition later this year, we have undertaken a major review of our strategic direction. Our review showed strong support for keeping the same strategic thrust begun in 2004 but we are introducing a number of changes that recognise the progress we have made and help us to go further.

Therefore our Mission will remain unchanged, but we have revised some of the Strategic Aims. The Strategic Plan 2010 – 2015 will be launched later this year and will reflect considerations of the Browne Report and the Comprehensive Spending review.

Corporate and Social Responsibility

Nottingham Trent University values its role at the heart of community life. Its commitment is enshrined in a robust corporate social responsibility agenda.

As a caring and responsive institution, we have developed flourishing networks through which our staff and students make an important contribution to the wellbeing of the city, county and region:

- The Initi8 scheme, launched in 2008 following a successful bid which secured £300,000 from youth charity v, has been a resounding success. More than 500 NTU students devoted 15,000 hours to community projects this year.

Naturally, much of our work centres on raising the educational attainment and aspirations of young people in our local schools and colleges.

- the Students in Classrooms initiative, which involves support, mentoring and ambassadorial roles, has been part of NTU for over a decade. During 2009 over 500 students devoted 33,000 hours to these projects;
- activities run by NTU for schools now reach more than 7,000 parents and carers every year, equipping them with knowledge and confidence to support their children's decisions about their future education.

Financial

Income and Expenditure Account

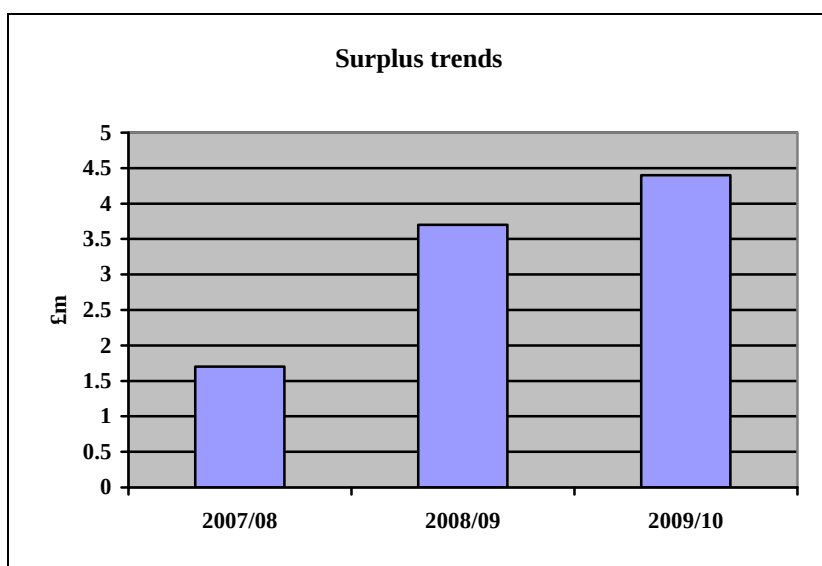
	2009/10 £m	2008/09 £m	2007/08 £m
<u>Income</u>			
Funding Council Grants	78.9	77.5	73.5
Tuition Fees	83.8	73.2	63.0
Research Grants & Contracts	5.5	4.5	5.5
Other Income	21.9	22.2	18.7
Investment Income	0.2	0.8	0.9
Total Income	190.3	178.2	161.6
<u>Expenditure</u>			
Staff Costs	112.2	107.6	98.9
Other Operating Expenses	60.0	55.6	51.0
Depreciation	11.4	9.9	9.6
Interest and Finance Costs	3.9	3.2	2.2
Total Expenditure	187.5	176.3	161.7
Release from Revaluation Reserve	1.8	1.8	1.8
Surplus before FRS 17 adjustments and exceptional items	4.6	3.7	1.7
Exceptional items	4.7		11.0
FRS 17	-4.9	-4.4	-2.9
Historic Cost Surplus/Deficit	4.4	-0.7	9.8

The underlying position is a surplus of £4.6m. After incorporating adjustments for pension scheme accounting under Financial Reporting Standard (FRS) 17 'Retirement Benefits' and exceptional items, the Historic Cost surplus for the year was £4.4m.

Exceptional items comprise:

- A lease premium of £7.3m, less costs of £0.4m, received for granting a concession to UPP Limited to construct and operate a new student residential property on the Clifton campus;
- Restructuring costs of £1.0m relating predominantly to the merger of two of the four colleges; and
- Impairment costs of £1.3m in respect of vacating leasehold property.

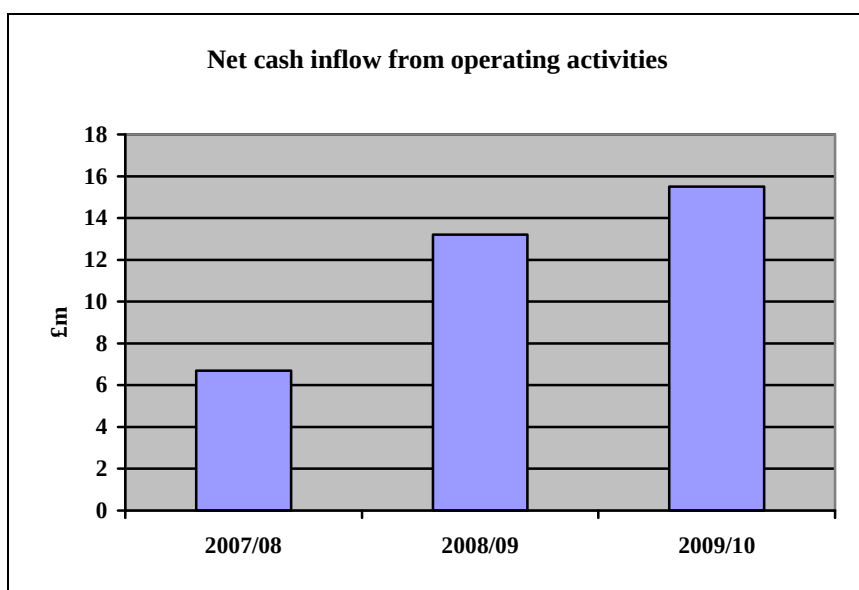
The chart below highlights surplus trends, excluding exceptional items and FRS 17.



Cash Flow

The Consolidated Cash Flow Statement highlights strong cash management with a **net inflow from operating activities of £15.5m** (£13.2m 2008/09).

The chart below highlights operational cashflow trends.



At 31 July 2010, cash and investments totalled £12m equating to 25 days liquidity (62 days 2008/09). The reduction in cash reserves is in line with budgets and results from the substantial completion of the estate regeneration programme on the city campus with the reopening of the Newton/Arkwright building.

The treasury management policy approved by the Board of Governors during 2007/08 seeks to maximise earnings from investments, commensurate with the avoidance of risk and the maintenance of security.

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

	2009/10 £m	2008/09 £m	2007/08 £m
<u>Fixed Assets</u>			
Tangible Assets	286.4	254.3	212.3
Investments	1.8	1.3	1.2
	<u>288.2</u>	<u>255.6</u>	<u>213.5</u>
<u>Current Assets</u>			
Stock	0.4	0.4	0.4
Debtors	9.1	8.6	7.8
Cash & Deposits	12.0	29.0	21.4
	<u>21.5</u>	<u>38.0</u>	<u>29.6</u>
Creditors falling due within one year	<u>-30.0</u>	<u>-28.8</u>	<u>-25.7</u>
Net Current Assets	<u>-8.5</u>	<u>9.2</u>	<u>3.9</u>
Total Assets less Current Liabilities	279.7	264.8	217.4
Creditors falling due after more than one year	-90.4	-92.0	-53.3
Provisions for liabilities and charges	<u>-12.6</u>	<u>-12.0</u>	<u>-12.9</u>
Net Assets before FRS 17	<u>176.7</u>	<u>160.8</u>	<u>151.2</u>
Deferred Capital Grants	57.9	49.4	41.7
<u>Reserves</u>			
Income and Expenditure Account	66.7	57.5	53.8
Revaluation Reserve	52.1	53.9	55.7
	<u>118.8</u>	<u>111.4</u>	<u>109.5</u>
Total Funds before FRS 17	<u>176.7</u>	<u>160.8</u>	<u>151.2</u>

After applying the NTU share of the Nottinghamshire County Council Pension Scheme deficit as required under FRS 17, Net Assets and Total Funds reduce by £74m to £102.8m.

The University has invested over £200m during the period 2004 to 2010 on the estate regeneration programme and other facilities improvements. Key projects include; the purchase of the Belgrave building, construction of the Computing and Informatics building, construction of the Natural Sciences Research Centre, extension of the Sports Hall, construction of the Van Geest Research Centre, renovation and extension of the Bonington building, renovation of the Chaucer building and the renovation of the Newton and Arkwright buildings.

This capital investment is financed through a combination of bank debt, grants, asset disposal proceeds and working capital. The University has term loans totalling £90m.

In addition the University has access to a £20m revolving credit facility to support capital investment as required.

Principal Corporate Risks

Principal corporate risks are monitored on a weekly basis by the Senior Management Team with the Audit and Risk 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.

Forward planning

As a university we have already started looking at predicted funding changes and will continue to assess possible implications, taking into account the Browne Report and the comprehensive spending review.

A number of scenarios have been under consideration by the University's Senior Management Team and Board of Governors throughout the last 12 months.

We believe that all the work that we have undertaken in the last six years has prepared us to meet any forthcoming challenges. We have made significant investment in our estate regeneration, our student application numbers continue to rise, and our strong competitive position in the league table rankings should only enhance our attractiveness as a university.

Corporate Governance

The University's structure of corporate governance

The University's Board of Governors comprises lay/independent, co-opted and staff members appointed under 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. The matters specifically 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 Training and Development Agency for Schools and the Learning & Skills Council and its successor bodies. 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 four times a year and has established several committees, including a Membership Nominations Committee, a Remuneration and Employment Committee, an Audit and Risk Management Committee, an Estates 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 and Employment Committee considers employment policy and the remuneration and conditions of service of senior postholders on behalf of the Board.

The Audit and Risk Management 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 Audit 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 Management Committee and approval by the Board of Governors. The Audit and Risk Management 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 Estates Committee examines the Estates Strategy and recommends its approval to the Board of Governors. The duties of the committee are to:

- Ensure that individual projects undertaken are consistent with agreed longer term plans and that value for money is achieved.
- Consider all individual Estate projects where expenditure is in excess of £1,000,000 and recommend their approval to the Chairman or Board of Governors as appropriate.
- Undertake post project reviews of all Estates projects where expenditure is in excess of £1,000,000.

Public Benefit

Introduction

In setting the University's objectives and planning its activities, the Board of Governors has given careful consideration to the general guidance on public benefit issued by the Charity Commission, and in particular to its supplementary guidance on advancing education and on fee-charging.

The mission of the University is to deliver education and research that shape lives and society. The ways in which the University seeks to achieve that ambition are articulated in detail in the Strategic Plan and further described in our Annual Report.

Learning and teaching

Education is one of the principal ways in which the University makes a significant contribution to society. 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.

We build 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 our work, building pathways from foundation degrees through degree courses and postgraduate training into the professions.

We strive to ensure that potential students are not barred or discouraged by financial constraints. In 2009/10, over 52% of our Home/EU undergraduates received a bursary from the University, illustrating the success of our widening participation strategy.

During the year, we engaged directly with over 29,000 parents, children and teachers via our outreach activities. We have national status as a Centre of Excellence for Teaching and Learning across the sciences, with over 7,000 participants from the region in 2009/10.

We provide a range of facilities and events that are open to the general public. This includes an ongoing 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 research 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.

Primary responsibilities of the Board of Governors

In accordance with its obligations under the Education Reform Act, Further and Higher Education Act 1992, Charities Act 2006 and other relevant legislation and regulations, 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, and procedures for handling internal grievances and for managing conflicts of interest.
- 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.
- Safeguarding the good name and values of the institution.
- 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.
- Making such provision as it thinks fit for the general welfare and discipline of students.
- Safeguarding of the institution's assets, property and estate.
- 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 Financial Memoranda agreed between the Higher Education Funding Council for England ('HEFCE'), the Learning & Skills Council ('LSC') and its successor bodies, 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.

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 2010 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 Management 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.

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 2010 and until the date the financial statements were formally approved were:

Independent members

Mr R Bullock, Chairman	
Mr AK Edwards, Deputy Chairman	
Mr P Bowden	- retired 1 March 2010
Mr A Brierley	
Mr J Farrell	
Ms S Ford-Hutchinson	
Mr R Freeston	
Mr M Freyd	
Mr K Hogarth	
Ms C Hogg	
Mr M Mason	- appointed 1 November 2010
Mr J Peace	
Mr RW Ruse	- retired 31 October 2010
Mr M Walmsley	- appointed 1 November 2010
Mr JJH Watson	

Academic board member

Professor C Pole

Student nominee

Mr DC Walker	- retired 31 July 2010
Mr P Docherty	- appointed 1 August 2010

General staff member

Mr S Goodman

Vice-Chancellor

Professor NT Gorman

Chief Financial and Operations Officer

Mr JS Jackson

Mr R Bullock
Chairman

Professor NT Gorman
Vice-Chancellor

22 November 2010

Independent auditors' 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 2010 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 historic cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

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

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

The University's Board of Governors responsibilities for preparing the Operating and Financial Review and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the 'Statement of Recommended Practice: Accounting for Further and Higher Education', applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 9.

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 dated 28 June 2008, the Financial Memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council and its successor bodies. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you if, in our opinion, 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, other information contained in the Annual 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 Group and 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 the Group and University's affairs as at 31 July 2010 and of the Group's surplus of income over expenditure 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 and its successor bodies, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2010 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 dated 28 June 2008, the financial memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council and its successor bodies.

Andy Argyle
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

22 November 2010

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, Nottingham Law School Limited, the Education Support Centre (UK) Limited and Nottingham Conference Centre Limited. The consolidated financial statements also include the results of The 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 its successor bodies 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 Council and its successor bodies and the Training and Development Agency for Schools (see notes 33 to 37).

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 28.

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, Nottingham Law School 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 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 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.

Consolidated income and expenditure account
for the year ended 31 July 2010

	Note	2010 £000	2009 £000
Income			
Funding body grants	1	78,925	77,530
Tuition fees and education contracts	2	83,826	73,223
Research grants and contracts	3	5,471	4,464
Other income	4	21,929	22,193
Endowment and investment income	5	151	758
Total income		190,302	178,168
Expenditure			
Staff costs	6	112,193	107,624
FRS17 operating costs	6	772	1,366
Other operating expenses	7	60,028	55,599
Depreciation	11	11,424	9,906
Interest and other finance costs	8	3,867	3,181
Pension finance costs	8	4,089	3,024
Total expenditure		192,373	180,700
Deficit on continuing operations after depreciation of assets at valuation		(2,071)	(2,532)
Exceptional items: continuing operations	10	4,653	-
Surplus/(deficit) for the year retained within general reserves		2,582	(2,532)

Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2010

	2010 £000	2009 £000
Surplus/(deficit) retained within general reserves	2,582	(2,532)
Difference between an historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	1,805	1,805
Historical cost surplus/(deficit) for the year after tax	4,387	(727)

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2010

	2010	2009
	£000	£000
Surplus/(deficit) retained within general reserves	2,582	(2,532)
Actuarial loss in respect of pension scheme	(2,590)	(3,212)
Total recognised losses relating to the year	(8)	(5,744)

Balance sheets

as at 31 July 2010

	Note	Group 2010 £000	University 2010 £000	Group 2009 £000	University 2009 £000
Fixed assets					
Tangible assets	11	286,411	284,156	254,320	251,075
Investments	12	1,810	3,549	1,305	3,471
		<u>288,221</u>	<u>287,705</u>	<u>255,625</u>	<u>254,546</u>
Current assets					
Stock	13	441	229	414	235
Debtors: due within one year	14	6,136	10,884	7,266	12,535
Debtors: due after more than one year	15	2,984	2,984	1,303	1,303
Short term deposits		8,000	8,000	10,000	10,000
Cash at bank and in hand		3,934	3,629	18,964	18,683
		<u>21,495</u>	<u>25,726</u>	<u>37,947</u>	<u>42,756</u>
Less: Creditors - amounts falling due within one year	16	<u>(29,951)</u>	<u>(28,835)</u>	<u>(28,722)</u>	<u>(27,404)</u>
Net current (liabilities)/assets		<u>(8,456)</u>	<u>(3,109)</u>	<u>9,225</u>	<u>15,352</u>
Total assets less current liabilities		<u>279,765</u>	<u>284,596</u>	<u>264,850</u>	<u>269,898</u>
Less: Creditors - amounts falling due after more than one year	17	<u>(90,458)</u>	<u>(90,458)</u>	<u>(92,031)</u>	<u>(92,031)</u>
Less: Provisions for liabilities and charges	18	<u>(12,568)</u>	<u>(12,568)</u>	<u>(12,042)</u>	<u>(12,042)</u>
Net assets excluding pension liability		<u>176,739</u>	<u>181,570</u>	<u>160,777</u>	<u>165,825</u>
Pension liability	29	<u>(73,977)</u>	<u>(73,977)</u>	<u>(66,526)</u>	<u>(66,526)</u>
Net assets including pension liability		<u><u>102,762</u></u>	<u><u>107,593</u></u>	<u><u>94,251</u></u>	<u><u>99,299</u></u>

Balance sheets *(continued)*
as at 31 July 2010

	<i>Note</i>	Group 2010 £000	University 2010 £000	Group 2009 £000	University 2009 £000
Deferred capital grants	19	57,909	57,909	49,390	49,390
Reserves					
Income and expenditure account excluding pension liability		66,732	70,243	57,484	61,212
Pension reserve	22	(73,977)	(73,977)	(66,526)	(66,526)
Income and expenditure account including pension liability	22	(7,245)	(3,734)	(9,042)	(5,314)
Revaluation reserve	20	52,038	53,418	53,843	55,223
Capital reserve	21	60	-	60	-
		<u>44,853</u>	<u>49,684</u>	<u>44,861</u>	<u>49,909</u>
Total funds		<u>102,762</u>	<u>107,593</u>	<u>94,251</u>	<u>99,299</u>

The financial statements were approved by the Board of Governors on 22 November 2010 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 2010

	Note	2010 £000	2009 £000
Net cash inflow from operating activities	23	15,527	13,242
Returns on investments and servicing of finance	24	(3,716)	(2,406)
Capital expenditure and financial investment	25	(27,213)	(42,495)
Cash outflow before management of liquid resources and financing		(15,402)	(31,659)
Management of liquid resources	26	2,000	(10,000)
Financing	27	(1,614)	39,253
Decrease in cash	28	(15,016)	(2,406)

Reconciliation of net cash flow to movement in net debt
for the year ended 31 July 2010

		2010 £000	2009 £000
Decrease in cash in the period		(15,016)	(2,406)
(Decrease)/increase in short term deposits		(2,000)	10,000
New loans acquired		(400)	(40,540)
Repayment of debt		2,014	1,287
Change in net debt		(15,402)	(31,659)
Net debt at 1 August		(64,921)	(33,262)
Net debt at 31 July	28	(80,323)	(64,921)

Notes

(forming part of the financial statements)

1 Funding body grants

	Note	2010 £000	2009 £000
Recurrent grant			
Higher Education Funding Council for England		65,999	61,018
Training and Development Agency		4,641	3,899
Learning & Skills Council and successor bodies		1,247	1,287
Specific grants			
Higher Education Funding Council for England		4,122	9,666
Training and Development Agency		908	684
Deferred capital grants released in year	19		
Buildings		1,757	736
Equipment		251	240
		<u>78,925</u>	<u>77,530</u>

2 Tuition Fees and Education Contracts

	2010 £000	2009 £000
Full-time home and EU students	54,015	44,749
Full-time international students	15,683	13,527
Part-time students	1,454	1,647
Other fees and support grants	12,674	13,300
	<u>83,826</u>	<u>73,223</u>

Notes (continued)

3 Research grants and contracts

	2010	2009
	£000	£000
Research councils and charities	3,358	2,906
Industry and commerce	452	660
Governmental	1,661	898
	5,471	4,464

4 Other income

	<i>Note</i>	2010	2009
		£000	£000
Residences, catering and conferences		5,169	4,867
Other income generating activities		15,541	15,813
Released from deferred capital grants	19	408	260
Other income		811	1,253
		21,929	22,193

5 Endowment and Investment Income

	2010	2009
	£000	£000
Income from short term investments	146	758
Other interest receivable	5	-
	151	758

Notes (continued)

6 Staff costs

	2010 £000	2009 £000
<i>Employee costs:</i>		
Wages and salaries	92,554	88,826
Social security costs	7,242	7,006
Other pension costs	12,397	11,792
	112,193	107,624
FRS17 operating costs	772	1,366
	112,965	108,990

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

	2010 Number	2009 Number
Teaching departments	1,065	1,078
Teaching support services	604	627
Other support services	79	70
Administration and central services	508	458
Premises	247	241
Other	20	20
	2,523	2,494

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.

	2010 £000	2009 £000
Emoluments of the Vice Chancellor excluding pension contributions	289	283
The University's pension contributions including contributions to the USS	40	35

During the year the University has 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:

	2010	2009
	Number	Number
£100,001 - £110,000	3	5
£110,001 - £120,000	2	2
£120,001 - £130,000	1	1
£130,001 - £140,000	-	1
£140,001 - £150,000	1	1
£160,001 - £170,000	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

	2010 £000	2009 £000
Academic departments	15,350	14,064
Academic services	7,495	6,283
Administration and central services	19,620	18,521
Premises	11,143	10,483
Residences, catering and conferences	2,462	2,487
Research grants and contracts	2,982	2,732
Other expenses	976	1,029
	<u>60,028</u>	<u>55,599</u>
Other operating expenses include:		
External auditors remuneration in respect of audit services	53	52
External auditors remuneration in respect of non-audit services	34	49
Operating lease rentals	<u>1,621</u>	<u>1,246</u>

Trustees

No trustee has received any remuneration/waived payments from the group during the year (2009: none).

The total expenses paid to or on behalf of 18 trustees was £8,447(2009 £8,189 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

	2010 £000	2009 £000
Bank and other loans not wholly repayable within five years	3,867	3,181
Pension finance costs	4,089	3,024
	<u>7,956</u>	<u>6,205</u>

Notes (continued)

9 Surplus/(deficit) on continuing operations for the period

The surplus/(deficit) on continuing operations for the period is made up as follows:

	2010 £000	2009 £000
University surplus/(deficit) for the period	4,170	(1,072)
Deficit generated by subsidiary undertakings and transferred to the University under a gift aid payment plus surplus generated by the Students' Union	(2,015)	(1,525)
Share of profit in joint venture	427	65
	<u>2,582</u>	<u>(2,532)</u>

10 Exceptional items

The exceptional items are made up as follows:

	2010 £000	2009 £000
Disposal of fixed assets	6,880	-
Fundamental restructuring costs	(966)	-
Impairment of fixed assets	(1,261)	-
	<u>4,653</u>	<u>-</u>

11 Tangible assets

	Group Freehold land and buildings £000	Group Fixtures and fittings £000	Group Furniture and equipment £000	Group Assets under course of construction £000	Group Total £000
<i>Cost or valuation:</i>					
At 1 August 2009	215,206	28,208	73,944	67,566	384,924
Additions	35,271	61	9,943	95	45,370
Disposals	(1,458)	(2,056)	(185)	-	(3,699)
Transfers	66,006	29	375	(66,410)	-
At 31 July 2010	315,025	26,242	84,077	1,251	426,595
<i>Accumulated depreciation:</i>					
At 1 August 2009	61,084	8,505	61,015	-	130,604
Charge for the year	4,671	1,735	5,018	-	11,424
Disposals	(885)	(795)	(164)	-	(1,844)
At 31 July 2010	64,870	9,445	65,869	-	140,184
<i>Net book value:</i>					
At 31 July 2010	250,155	16,797	18,208	1,251	286,411
At 31 July 2009	154,122	19,703	12,929	67,566	254,320

Notes (continued)**11 Tangible assets** (continued)

	University Freehold	University Fixtures	University Furniture	University Assets under course of construction	University Total
	land and buildings £000	and fittings £000	and equipment £000	£000	£000
<i>Cost or valuation:</i>					
At 1 August 2009	212,158	23,413	70,132	67,855	373,558
Additions at cost	35,168	61	9,171	95	44,495
Disposals at cost	(1,173)	-	(25)	-	(1,198)
Transfers	66,006	29	375	(66,410)	-
At 31 July 2010	312,159	23,503	79,653	1,540	416,855
Depreciation:					
At 1 August 2009	59,160	6,012	57,311	-	122,483
Charge for the year	4,510	1,521	4,797	-	10,828
Eliminated on disposals	(602)	-	(10)	-	(612)
At 31 July 2010	63,068	7,533	62,098	-	132,699
Net book value:					
At 31 July 2010	249,091	15,970	17,555	1,540	284,156
At 31 July 2009	152,998	17,401	12,821	67,855	251,075

Freehold land with a book value of £9,692,000 (2009: £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.

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. During the year 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)

During the year 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.

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 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 as at 31 July 2009.

12 Investments

	Group 2010 £000	University 2010 £000	Group 2009 £000	University 2009 £000
Subsidiary companies	-	2,222	-	2,222
Other investments	1,810	1,327	1,305	1,249
	1,810	3,549	1,305	3,471

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 and also in UPP Clifton 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 10 above. 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:

	2010 £000	2009 £000
Gross assets	875	448
Gross liabilities	-	-
Net assets	875	448

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	-
Prime Principle Limited	10	10	-
Click2Touch Limited	10	10	-
Eskimo Graphic Design Limited	7	7	-
Stewart & Baker Limited	6	6	-
Orb & Crash Limited	7	7	-
Debbie Bryan Limited	7	7	-
Udakka Limited	8	8	-
NG Magazine Limited	7	7	-
Bantum Clothing Limited	7	7	-
Uni-fied Limited	6	6	-
Red Shoes Memories Limited	6	6	-
Compandx Limited	49	550	-
SiActive Limited	27	2,500	-

The above subsidiaries are all incorporated in Great Britain.

Notes (continued)

13 Stock

	Group 2010 £000	University 2010 £000	Group 2009 £000	University 2009 £000
Consumables	197	197	189	189
Goods for resale	244	32	225	46
	<u>441</u>	<u>229</u>	<u>414</u>	<u>235</u>
	<u><u>441</u></u>	<u><u>229</u></u>	<u><u>414</u></u>	<u><u>235</u></u>

14 Debtors: amounts falling due within one year

	Group 2010 £000	University 2010 £000	Group 2009 £000	University 2009 £000
Trade debtors	4,730	3,920	4,598	3,636
Amounts owed by subsidiary undertakings	-	5,767	-	6,501
Prepayments	673	561	865	737
Accrued income	642	636	1,215	1,206
Other debtors	91	-	588	455
	<u>6,136</u>	<u>10,884</u>	<u>7,266</u>	<u>12,535</u>
	<u><u>6,136</u></u>	<u><u>10,884</u></u>	<u><u>7,266</u></u>	<u><u>12,535</u></u>

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

15 Debtors: amounts falling due after more than one year

	Group 2010 £000	University 2010 £000	Group 2009 £000	University 2009 £000
Loan notes (see note 11)	2,984	2,984	1,303	1,303
	<u>2,984</u>	<u>2,984</u>	<u>1,303</u>	<u>1,303</u>
	<u><u>2,984</u></u>	<u><u>2,984</u></u>	<u><u>1,303</u></u>	<u><u>1,303</u></u>

Notes (continued)

16 Creditors: amounts falling due within one year

	Group 2010 £000	University 2010 £000	Group 2009 £000	University 2009 £000
Bank loan	1,494	1,494	1,423	1,423
Bank overdraft	-	-	14	-
Finance leases	305	305	417	417
General creditors	4,185	4,249	6,385	6,144
Social security and other taxation payments	3,891	3,842	3,033	2,977
Other creditors	232	85	154	78
Accruals	9,190	8,825	7,208	6,888
Deferred income	10,654	10,035	10,088	9,477
	29,951	28,835	28,722	27,404

17 Creditors: amounts falling due after more than one year

	Group 2010 £000	University 2010 £000	Group 2009 £000	University 2009 £000
Unsecured loans	89,518	89,518	91,074	91,074
Finance leases	-	-	417	417
Salix revolving green fund	940	940	540	540
	90,458	90,458	92,031	92,031

Analysis of debt:

	Group and University	
	2010 £000	2009 £000
<i>Amounts falling due:</i>		
Between one and two years	1,541	1,911
Between two and five years	5,165	4,900
In more than five years	83,752	85,220
	90,458	92,031

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. All loans are repayable in instalments in the period to December 2038.

Notes (continued)

18 Provisions for liabilities and charges

	Group and University			
	Restruct- uring £000	Pensions £000	Dilapidations £000	Total £000
At 1 August 2009	291	10,751	1,000	12,042
Transfer from income and expenditure account	780	760	-	1,540
	<u>1,071</u>	<u>11,511</u>	<u>1,000</u>	<u>13,582</u>
Utilised in year	(291)	(723)	-	(1,014)
At 31 July 2010	<u>780</u>	<u>10,788</u>	<u>1,000</u>	<u>12,568</u>

The restructuring provision relates to a staff reprofiling exercise. The framework provision represents the anticipated costs of the introduction of the national framework agreement. Refer to note 29 for an explanation of the nature of the pensions provision.

Notes (continued)

19 Deferred capital grants

	Group and University		
	Funding councils	Other grants	Total
	£000	£000	£000
At 1 August 2009			
Buildings	42,516	5,559	48,075
Equipment	1,015	300	1,315
Total	43,531	5,859	49,390
Cash received			
Buildings	7,147	3,430	10,577
Equipment	-	358	358
Total	7,147	3,788	10,935
Released to income and expenditure			
Buildings	1,757	281	2,038
Equipment	251	127	378
Total	2,008	408	2,416
At 31 July 2010			
Buildings	47,906	8,708	56,614
Equipment	764	531	1,295
Total	48,670	9,239	57,909

Notes *(continued)*

20 Revaluation reserve

	Group 2010 £000	University 2010 £000	Group 2009 £000	University 2009 £000
Balance brought forward at 1 August	53,843	55,223	55,648	57,028
Released to income and expenditure reserve in year	(1,805)	(1,805)	(1,805)	(1,805)
At 31 July	52,038	53,418	53,843	55,223

21 Capital reserve

	Group 2010 £000	University 2010 £000	Group 2009 £000	University 2009 £000
At 1 August 2009 and 31 July 2010	60	-	60	-

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

Notes (continued)

22 Movement on general reserves

Income and expenditure account

	Group £000	University £000
At 1 August 2009	(9,042)	(5,314)
Surplus for the year retained within general reserves	2,582	2,365
Transfer from revaluation reserve to income and expenditure account	1,805	1,805
Actuarial loss in respect of pension scheme	(2,590)	(2,590)
At 31 July 2010	(7,245)	(3,734)

Represented by:

	Group £000	University £000
Income and expenditure reserve excluding pension reserve	66,732	70,243
Pension reserve	(73,977)	(73,977)
At 31 July 2010	(7,245)	(3,734)

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

	2010 £000	2009 £000
Deficit after depreciation of assets at valuation and after tax	(2,071)	(2,532)
Release of capital grant (note 19)	(2,416)	(1,236)
Sale of fixed assets	-	(1,475)
Depreciation (note 11)	11,424	9,906
Increase in stock	(27)	(48)
Increase in debtors	(625)	(732)
Increase in creditors	752	3,452
Increase/(decrease) in provisions	526	(841)
Interest payable	3,867	3,181
Interest receivable	(151)	(758)
Pension cost less contributions payable	4,675	4,390
Share of profit in joint venture	(427)	(65)
Net cash inflow from operating activities	15,527	13,242

Notes (continued)

24 Returns on investments and servicing of finance

	2010 £000	2009 £000
Income from short term investments	151	775
Interest paid	(3,867)	(3,181)
	<u>(3,716)</u>	<u>(2,406)</u>

25 Capital expenditure and financial investment

	2010 £000	2009 £000
Tangible assets acquired	(44,950)	(52,907)
Sale of fixed assets	6,880	1,475
Purchase of investments	(78)	-
Deferred capital grants received (note 19)	10,935	8,937
	<u>(27,213)</u>	<u>(42,495)</u>

26 Management of Liquid Resources

	2010 £000	2009 £000
Withdrawal from/(placing of) deposits	2,000	(10,000)

27 Financing

	2010 £000	2009 £000
New loans	400	40,540
Repayment of amounts borrowed	(2,014)	(1,287)
Net cash (outflow)/inflow	<u>(1,614)</u>	<u>39,253</u>

Notes (continued)

28 Analysis of changes in net debt

	At 1 August 2009 £000	Cash flows £000	Other Changes £000	At 31 July 2010 £000
Cash at bank and in hand	18,964	(15,030)	-	3,934
Bank overdraft	(14)	14	-	-
Short term deposits	10,000	(2,000)	-	8,000
Debt due within one year	(1,840)	2,014	(1,973)	(1,799)
Debt due after one year	(92,031)	(400)	1,973	(90,458)
	<u>(64,921)</u>	<u>(15,402)</u>	<u>-</u>	<u>(80,323)</u>

29 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

	2010 £000	2010 £000	2009 £000	2009 £000
TPS contributions paid		5,889		5,766
LGPS:				
Contributions paid	5,201		5,292	
FRS 17 charge	<u>772</u>		<u>1,366</u>	
Charge to the income and expenditure account		5,973		6,658
Contributions paid to other pension schemes		410		323
Enhanced pension charge		897		591
Total pension cost for year		<u>13,169</u>		<u>13,338</u>

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 2007.

28 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 14.5%. A valuation by the Fund's actuary was carried at 31 March 2007 and the fund position is detailed below:

NCCPF Fund position at last valuation

Latest actuarial valuation	31 March 2007	
Valuation method	Projected unit	
Value of assets	£2,418m	
Funding level for accrued benefits	83.3%	
	<i>Past service liabilities</i>	<i>Future service liabilities</i>
Investment return per annum		
- pre retirement	7.15%	6.5%
- post retirement	5.4%	6.5%
Salary scale increases per annum	4.3%	4.3%
Pension increase per annum	2.8%	2.8%

Notes (continued)

28 Pension and similar obligations (continued)

The material assumptions used by the Actuary at 31 July 2010 were:

	31 July 2010	31 July 2009
Rate of inflation	2.7%	3.6%
Rate of increase in salaries	4.7%	5.1%
Rate of increase in pensions	2.7%	3.6%
Discount rate for liabilities	5.4%	6.3%

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

	2010 Years	2009 Years
<i>Retiring today</i>		
Males	20.3	20.3
Females	23.9	24.0
<i>Retiring in 20 years</i>		
Males	21.2	21.3
Females	24.9	25.0

Notes (continued)

28 Pension and similar obligations (continued)

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

	2010		2009	
	Long term rate of return expected at 31 July 2010	Value at 31 July 2010 £000	Long term rate of return expected at 31 July 2009	Value at 31 July 2009 £000
Equities	7.3%	75,706	7.2%	61,320
Government bonds	4.3%	7,910	4.5%	12,967
Other bonds	5.4%	6,780	6.3%	7,573
Property	5.3%	15,819	6.2%	10,699
Cash	3.0%	4,520	3.0%	5,827
Other	7.3%	2,260	-	-
Total market value of assets		112,995		98,386

The following amounts at 31 July 2010 were measured in accordance with the requirements of FRS 17:

Analysis of the amount shown in the balance sheet	2010 £000	2009 £000
The institution's estimated asset share	112,995	98,386
Present value of the institution's scheme liabilities	(186,972)	(164,912)
Deficit in the scheme - Net pension liability	(73,977)	(66,526)

Notes *(continued)*

28 Pension and similar obligations *(continued)*

Analysis of the amount charged to operating deficit

	2010	2009
	£000	£000
Current service cost	6,088	6,384
Curtailment cost	297	274
Total operating charge	6,385	6,658

Analysis of the amount charged to interest payable

	2010	2009
	£000	£000
Expected return on pension scheme assets	6,402	7,001
Interest on pension scheme liabilities	(10,491)	(10,025)
Net charge	(4,089)	(3,024)

Amounts recognised in the statement of total recognised gains and losses

	2010	2009
	£000	£000
Expected return less actual return on pension scheme assets	5,399	(12,785)
Changes in assumptions underlying the present value of scheme liabilities	(7,989)	9,573
Actuarial loss recognised	(2,590)	(3,212)

Notes (continued)

28 Pension and similar obligations (continued)

Analysis of the movements in the present value of scheme liabilities

	2010 £000	2009 £000
At beginning of year	164,912	159,276
Current service cost	6,088	6,384
Contributions	2,356	2,236
Past service gains	(8,826)	-
Benefits paid	(5,161)	(3,710)
Interest cost	10,491	10,025
Curtailments and settlements	297	274
Actuarial loss/(gain)	16,815	(9,573)
At end of year	186,972	164,912

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

	2010 £000	2009 £000
At beginning of year	98,386	100,352
Expected return on assets	6,402	7,001
Actuarial gain/(loss)	5,399	(12,785)
Employer contributions	5,613	5,292
Employee contributions	2,356	2,236
Benefits paid	(5,161)	(3,710)
At end of year	112,995	98,386

28 Pension and similar obligations (continued)

History of experience gains and losses

	2010	2009	2008	2007	2006
Difference between expected and actual return on scheme assets:					
Amount (£000)	5,399	(12,785)	(15,999)	5,108	4,284
Percentage of scheme assets	4.8%	13.0%	15.9%	4.8%	4.6%
Experience gains and losses on scheme liabilities:					
Amount (£000)	-	-	3,227	722	(3,248)
Percentage of scheme liabilities	-	-	2.0%	0.5%	2.4%
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£000)	(11,416)	(3,212)	(14,339)	5,830	(3,907)
Percentage of scheme liabilities	6.1%	2.0%	9.2%	3.9%	2.8%

The pension charge for the year was £12,397,000 (2009: £11,792,000); 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% (2009: 3.5%) in excess of price inflation.

A provision of £760,000 (2009: £669,000) has been made in the 2010 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.

Notes (continued)

29 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.

30 Operating lease commitments

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

	2010 £000	2009 £000
<i>Leases of buildings expiring:</i>		
In two to five years	1,033	848
In over five years	-	-
	<u>1,033</u>	<u>848</u>
	<u><u>1,033</u></u>	<u><u>848</u></u>
	2010 £000	2009 £000
<i>Leases of plant and equipment expiring:</i>		
Within one year	1,389	1,033
In two to five years	2,443	1,888
After more than five years	-	-
	<u>3,832</u>	<u>2,921</u>
	<u><u>3,832</u></u>	<u><u>2,921</u></u>

31 Capital commitments

The group has no capital commitments at 31 July.

Notes (continued)

32 Related party transactions

The University controls 90% or more 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. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

33 Access funds

	2010 £000	2009 £000
HEFCE grants	637	639
Interest earned	1	5
	638	644
Disbursements to students	(561)	(593)
Balance unspent at 31 July	77	51

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.

34 Learner support funds

	2010 £000	2009 £000
Skills Funding Agency grants	56	117
Interest earned	0	2
	56	119
Disbursements to students	(39)	(59)
Balance unspent at 31 July	17	60

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)

35 Training and Development Agency for Schools bursaries

	2010	2009
	£000	£000
Training and Development Agency for Schools grants	2,653	2,202
	<u>2,653</u>	<u>2,202</u>
Disbursements to students	(2,340)	(2,197)
	<u>(2,340)</u>	<u>(2,197)</u>
Balance unspent at 31 July	313	5
	<u>313</u>	<u>5</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 PGCE bursaries

	2010	2009
	£000	£000
HEFCE grants	329	300
	<u>329</u>	<u>300</u>
Disbursements to students	(312)	(276)
	<u>(312)</u>	<u>(276)</u>
Balance unspent at 31 July	17	24
	<u>17</u>	<u>24</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.

37 Training and Development Agency for Schools grants

	2010	2009
	£000	£000
Training and Development Agency for Schools grants	1,439	1,538
	<u>1,439</u>	<u>1,538</u>
Disbursements to students	(1,367)	(1,503)
	<u>(1,367)</u>	<u>(1,503)</u>
Balance unspent at 31 July	72	35
	<u>72</u>	<u>35</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.