

The Nottingham Trent University

Governors' report and financial
statements

31 July 2005

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Governors' report

Scope of the financial statements

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

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

- Nottingham Consultants Limited undertakes those activities which, for legal or commercial reasons, are more appropriately channelled through a limited company and also acts as a catalyst and facilitator for commercial activities throughout the University;
- Nottingham Law School Limited provides a wide range of courses for the legal profession;
- The Nottingham Trent University Charitable Trust is an unincorporated body and provides library buildings for academic use;
- The Education Support Centre (UK) Limited provides the higher and further education sectors with expert technical assistance on Microsoft products.

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

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

Financial and operational review

Following the launch of the University's Strategic Plan 2004-2010 in March 2004, this has been a year of unprecedented investment as our focus turned to implementation.

The University entered the strategic planning process of 2003-04 with a strong balance sheet underpinned by good liquidity and minimal debt. This platform has enabled the University to invest now and take a long-term financial view.

The capital investment programme underpinning the strategy totals £135m with fixed asset additions this year totalling £38m, four times the average investment levels of the last 10 years.

Our aim to provide gold-standard customer service has driven the implementation of e-business solutions including on-line enrolment, fee payments, accommodation, and results all delivered through an acclaimed new website.

The re-branding exercise, essential to providing a consistent and professional image to all of our customers was also completed during 2004-05.

In addition, key appointments have been made across all four colleges to support our teaching and research strategies in what has been a record year in terms of grant capture.

This substantial financial investment in the future of the University, in addition to the inclusion of restructuring costs and provisions within extraordinary items, result in a deficit for the year in line with budget and the financial forecasts developed alongside the strategic plan.

Treasury Management

The capital programme has been financed by a combination of new debt, capital grants and working capital:

	<u>£m</u>
Debt	19.7
Working Capital	13.1
Deferred Capital Grants	<u>5.0</u>
Fixed Asset additions	<u>37.8</u>

At 31 July 2005, cash and investments totalled £21m and long-term loans £24m. The University has an agreed facility of £55m which is being utilised to part finance the overall capital programme.

Liquidity and debt continue to compare favourably to sector median.

In respect of operating cashflow, 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.

Estate and Capital Developments

Significant capital projects commenced during the year were as follows:

	In Year Expenditure
Acquisition of the Belgrave Centre, home of Nottingham Law School	£12.8m
Construction of a new building for the School of Computing and Informatics on the Clifton Campus	£6.4m
Extension and refurbishment of the Bonington Building	£3.9m
Regeneration of the Newton and Arkwright complex	£2.1m
Student residencies, Brackenhurst Campus	£2.7m
Information Systems	£3.8m

During the year HEFCE funded £0.75m of works to improve disabled access to University facilities.

Future Developments

Financial year 2005-06 will be one of consolidation from a financial perspective. The large deficit planned and recorded in 2004-05 will not be repeated as returns on many of the investments made are delivered through increased revenues and operating efficiencies.

Implementation of the strategic plan will continue apace. The new Teaching and Learning strategy, including e-learning, will be completed during 2005-06 following the research strategy in 2005.

The Nottingham Trent International College, launched in October 2005, is already ahead of projections and will provide the University with a vitally important feeder route into undergraduate and postgraduate courses for international students.

The Newton Arkwright regeneration scheme, the largest single element of the capital programme, will go to planning in early 2006.

Conclusion

The implementation of the Strategic Plan, the continued unprecedented levels of investment in staff, facilities and customer services, underpinned by a strong Balance Sheet, provide Nottingham Trent University with every opportunity to succeed in an increasingly competitive, global and, with the introduction of variable tuition fees from 2006, deregulated market.

Governors' report *(continued)*

Membership

The members of the Board during the year to 31 July 2005, unless otherwise indicated, were:

Independent members

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

Educationalist member

Mrs M Puckey

Academic board member

Dr NAA Macfarlane - retired 20 June 2005
Professor G Kennedy - appointed 11 July 2005

Student nominee

Ms K Sillitto

General staff member

Mr CA France - retired 31 July 2004
Mrs ME Martin - appointed 13 December 2004

Local authority nominees

City Councillor JN Collins - retired 31 July 2004
Mr G Mitchell - appointed 18 October 2004
County Councillor R Needham - retired 5 May 2005

Vice-Chancellor

Professor NT Gorman

Finance & Operations Director

Mr JS Jackson



Mr J Peace
Chairman



Prof NT Gorman
Vice-Chancellor

5 December 2005

The University's structure of Corporate Governance

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

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

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

The Audit and Risk Committee meets at least three times a year, with both External and Internal Auditors present. The University's Internal Audit Service operates in accordance with Accountability and Audit: HEFCE Code of Practice. The Internal Audit Service prepares an annual operating plan based on its strategy and risk assessment for consideration by the Audit and Risk Committee and approval by the Board of Governors. The Audit and Risk Committee, against the framework of the agreed plans, considers Internal Audit reports and recommendations for the improvement of the University's systems of risk management, governance, internal control and value for money, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England, as they affect the University's business, and monitors adherence with the regulatory requirements. The Committee meets with both the Internal and External Auditors on their own for independent discussions.

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

- the Annual Budget and budgetary control;
- Treasury Management policies and procedures;
- Financial Regulations;
- Strategic planning

The University's statement of Internal Control

1. As the governing body of The 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 2005 and up to the date of approval of the financial statements and accords with HEFCE guidance.
4. The Board of Governors has responsibility for reviewing the effectiveness of the system of internal control and has established the following processes:
 - a) Consideration of the plans and strategic direction of the University is included on the agenda of all meetings of the Board of Governors.
 - b) The Board receives periodic reports from the Chairman of the Audit and Risk Committee concerning internal control.
 - c) The Senior Management Team is responsible for risk management within the University. In addition the risk management function has been resourced by the appointment of a Project Sponsor, Risk Manager and Risk Management Co-ordinator. Risk Management has been incorporated into the management and decision making structures of the University.
 - d) The University has an Internal Audit Service that operates to standards defined in the HEFCE Accountability and Audit Code of Practice. It submits regular reports to the University's Audit and Risk Committee on the adequacy and effectiveness of the systems of risk management, governance, internal control and value for money, together with recommendations for improvement.
 - e) A system of key performance and risk indicators has been developed.
 - f) A robust risk prioritisation methodology has been established.
 - g) An organisation-wide risk register is maintained, containing improvement actions and timescales. Risk owners are required to regularly update the Register on the steps they are taking to manage risk in their area of responsibility, including progress reports on key projects.
5. The Board's review of the effectiveness of the system of internal control is informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, the work of the Internal Audit Service and by comments made by the external auditors in their management letter and other reports.

Responsibilities of the Board of Governors

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

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

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

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

The Board of Governors has taken reasonable steps to:

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

KPMG LLP

St Nicholas House
Park Row
NOTTINGHAM
NG1 6FQ

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

We have audited the financial statements on pages 10 to 40, which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

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

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

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

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

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

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

Basis of Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

- the financial statements give a true and fair view of the state of affairs of the University and the group as at 31 July 2005 and of the group's deficit of income over expenditure, recognised gains and losses and cashflows for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions;
- in all material respects, income from the Higher Education Funding Council for England, the Teacher Training Agency and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2005 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2005 has been applied in accordance with the University's statutes and, where appropriate, with the financial memoranda (00/25 and 03/54) with the Higher Education Funding Council for England, the funding agreement with the Teacher Training Agency and the funding agreement with the Learning and Skills Council.

KPMG LLP

KPMG LLP

*Chartered Accountants
Registered Auditor*

5 December 2005

Statement of principal accounting policies

Accounting convention

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the University and its subsidiaries Nottingham Consultants Limited, Nottingham Law School Limited, The Nottingham Trent University Charitable Trust, Nottingham Trent Residences 1 PLC and the Education Support Centre (UK) Limited. The consolidated financial statements also include the results of 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

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

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Pension schemes

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

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

Foreign currency

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

Leases

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

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

Statement of principal accounting policies (continued)

Tangible fixed assets

Land and buildings

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

Capitalisation level

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

Depreciation

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

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

No depreciation has been provided for on freehold land.

Investments

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

Maintenance of premises

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

Stock

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

Cash flows and liquid resources

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

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

Statement of principal accounting policies *(continued)*

Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Taxes Act 1988. Accordingly, it is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. Nottingham Consultants Limited and its subsidiaries, Nottingham Law School Limited, Nottingham Trent Residences 1 Plc, NTU Charitable Trust and the Education Support Centre (UK) Limited are not subject to these exemptions and are liable for corporation tax on profits or gains arising. However, under a gift aid arrangement with the University, Nottingham Consultants Limited and its subsidiaries and Nottingham Law School Limited, transfer all their taxable profits to the University to minimise the payment of corporation tax.

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

Consolidated income and expenditure account
for the year ended 31 July 2005

	<i>Note</i>	2005 £000	2004 £000
Income			
Funding council grants	1	63,006	60,086
Tuition fees and education contracts	2	42,272	41,177
Research grants and contracts	3	4,425	4,354
Other income	4	15,747	17,404
Endowment and investment income	5	1,474	1,313
Total income		126,924	124,334
Expenditure			
Staff costs	6	84,605	82,069
Exceptional restructuring costs		4,266	-
Other operating expenses	7	40,033	37,000
Depreciation	11	6,070	6,474
Interest payable	8	947	944
Total expenditure	9	135,921	126,487
Deficit on continuing operations after depreciation of assets at valuation		(8,997)	(2,153)
Exceptional gain on donated asset		-	845
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	10	(8,997)	(1,308)

Income and expenditure account

	Total 2005 £000	Total 2004 £000
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	(8,997)	(1,308)
Release from revaluation reserve	1,304	1,405
Historical cost (deficit)/surplus after tax	(7,693)	97
Balance at 1 August	50,507	50,410
Balance at 31 July	42,814	50,507

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

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2005

	2005 £000	2004 £000
Deficit after depreciation of assets at valuation and tax	(8,997)	(1,308)
HEFCE reimbursement of principal element of debt charges	521	513
Total recognised losses relating to the year	(8,476)	(795)

Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2005

	2005 £000	2004 £000
Deficit after depreciation of assets at valuation and tax	(8,997)	(1,308)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,304	1,405
Historical cost (deficit)/surplus after tax	(7,693)	97

Balance sheets

as at 31 July 2005

	Note	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Fixed assets					
Tangible assets	11	160,229	155,160	126,425	122,616
Investments	12	524	2,756	559	2,006
		<u>160,753</u>	<u>157,916</u>	<u>126,984</u>	<u>124,622</u>
Current assets					
Stock and stores in hand	13	431	367	583	453
Debtors: due within one year	14	7,192	11,840	6,507	10,913
Debtors: due after more than one year	15	-	677	-	1,245
		<u>7,192</u>	<u>12,517</u>	<u>6,507</u>	<u>12,158</u>
Short term deposits		19,978	19,781	28,590	28,258
Cash at bank and in hand		744	291	1,272	759
		<u>28,345</u>	<u>32,956</u>	<u>36,952</u>	<u>41,628</u>
Creditors: amounts falling due within one year	16	(24,279)	(23,080)	(17,192)	(16,584)
Net current assets		<u>4,066</u>	<u>9,876</u>	<u>19,760</u>	<u>25,044</u>
Total assets less current liabilities		<u>164,819</u>	<u>167,792</u>	<u>146,744</u>	<u>149,666</u>
Creditors: amounts falling due after more than one year	17	(31,943)	(31,980)	(12,928)	(13,129)
Provisions for liabilities and charges	18	(16,326)	(16,326)	(13,008)	(13,008)
Net assets		<u><u>116,550</u></u>	<u><u>119,486</u></u>	<u><u>120,808</u></u>	<u><u>123,529</u></u>
<i>Represented by:</i>					
Deferred capital grants	19	<u>21,320</u>	<u>21,320</u>	<u>17,102</u>	<u>17,102</u>
Reserves					
Revaluation reserve	20	52,356	53,736	53,139	54,519
Capital reserve	21	60	-	60	-
Income and expenditure account		42,814	44,430	50,507	51,908
		<u>95,230</u>	<u>98,166</u>	<u>103,706</u>	<u>106,427</u>
Total funds		<u><u>116,550</u></u>	<u><u>119,486</u></u>	<u><u>120,808</u></u>	<u><u>123,529</u></u>

The financial statements on pages 10 to 40 were approved by the Board of Governors on 5 December 2005 and signed on its behalf by:

Mr J Peace
Chairman

Prof NT Gorman
Vice Chancellor

Balance sheets

as at 31 July 2005

	Note	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Fixed assets					
Tangible assets	11	160,229	155,160	126,425	122,616
Investments	12	524	2,756	559	2,006
		<u>160,753</u>	<u>157,916</u>	<u>126,984</u>	<u>124,622</u>
Current assets					
Stock and stores in hand	13	431	367	583	453
Debtors: due within one year	14	7,192	11,840	6,507	10,913
Debtors: due after more than one year	15	-	677	-	1,245
		<u>7,192</u>	<u>12,517</u>	<u>6,507</u>	<u>12,158</u>
Short term deposits		19,978	19,781	28,590	28,258
Cash at bank and in hand		744	291	1,272	759
		<u>28,345</u>	<u>32,956</u>	<u>36,952</u>	<u>41,628</u>
Creditors: amounts falling due within one year	16	(24,279)	(23,080)	(17,192)	(16,584)
		<u>4,066</u>	<u>9,876</u>	<u>19,760</u>	<u>25,044</u>
Net current assets					
		<u>164,819</u>	<u>167,792</u>	<u>146,744</u>	<u>149,666</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	17	(31,943)	(31,980)	(12,928)	(13,129)
Provisions for liabilities and charges	18	(16,326)	(16,326)	(13,008)	(13,008)
		<u>116,550</u>	<u>119,486</u>	<u>120,808</u>	<u>123,529</u>
Net assets					
		<u>116,550</u>	<u>119,486</u>	<u>120,808</u>	<u>123,529</u>
<i>Represented by:</i>					
Deferred capital grants	19	21,320	21,320	17,102	17,102
Reserves					
Revaluation reserve	20	52,356	53,736	53,139	54,519
Capital reserve	21	60	-	60	-
Income and expenditure account		42,814	44,430	50,507	51,908
		<u>95,230</u>	<u>98,166</u>	<u>103,706</u>	<u>106,427</u>
Total reserves					
		<u>116,550</u>	<u>119,486</u>	<u>120,808</u>	<u>123,529</u>
Total funds					

The financial statements on pages 10 to 40 were approved by the Board of Governors on 5 December 2005 and signed on its behalf by:



Mr J Peace
Chairman



Prof NT Gorman
Vice Chancellor

Notes

(forming part of the financial statements)

1 Funding council grants

	2005			2004
	HEFCE	LSC	TTA	Total
	£000	£000	£000	£000
Recurrent grant	52,502	1,379	2,925	56,806
Specific grants				
Management development fund	60	-	-	60
TTA Initiatives	-	-	400	400
Reimbursement of debt charges	677	-	-	677
Research	2,168	-	-	2,168
Inherited liabilities – rents	268	-	-	268
Rewarding and developing staff	236	-	-	236
Collaboration and restructuring	70	-	-	70
Fund for the development of teaching and learning	280	-	-	280
Special learning difficulties and disabilities	16	-	-	16
Active community fund	99	-	-	99
Foundation degrees	18	-	-	18
Aim higher	1,096	-	-	1,096
Reachout	9	-	-	9
Summer Schools	-	-	-	-
Centres of excellence in teaching	19	-	-	19
Higher education innovation fund	112	-	-	112
National teaching fellowship	4	-	-	4
Deferred capital grants released in year				
Buildings (note 19)	451	-	-	451
Equipment (note 19)	217	-	-	217
	58,302	1,379	3,325	63,006

2 Tuition Fees and Education Contracts

	2005	2004
	£000	£000
Full-time students	17,026	17,066
Full-time students charged overseas fees	5,853	5,110
Part-time fees	951	1,021
Short course fees	18,442	17,980
	42,272	41,177

Notes *(continued)*

3 Research grants and contracts

	2005	2004
	£000	£000
Research councils	787	654
UK based charities	1,411	1,297
European Commission	427	426
Other grants and contracts	1,800	1,977
	4,425	4,354

4 Other income

	2005	2004
	£000	£000
Residences, catering and conferences	3,276	2,828
Other income generating activities	11,421	13,247
Released from deferred capital grants (note 19)	116	107
Other income	934	1,222
	15,747	17,404

5 Endowment and Investment Income

	2005	2004
	£000	£000
Income from short term investments	1,471	1,311
Other interest receivable	3	2
	1,474	1,313

Notes (continued)

6 Staff costs

	2005	2004
	£000	£000
<i>Employee costs:</i>		
Wages and salaries	69,705	67,583
Social security costs	5,718	5,387
Other pension costs	9,182	9,099
	<hr/> 84,605 <hr/>	<hr/> 82,069 <hr/>

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

	2005	2004
	Number	Number
Teaching departments	1,093	1,034
Teaching support services	653	700
Other support services	53	38
Administration and central services	314	272
Premises	225	267
Other	20	20
	<hr/> 2,358 <hr/>	<hr/> 2,331 <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.

	2005	2004
	£000	£000
Emoluments of the previous Vice Chancellor excluding pension contributions to 30 September 2003	-	28
Arrears of 2002 pay award relating to the 2001/02 financial year	-	-
	<hr/>	<hr/>
	-	28
The University's pension contributions including contributions to the TPS	-	4
	<hr/>	<hr/>
Emoluments of the current Vice Chancellor excluding pension contributions from 1 October 2003	225	-
	-	183
The University's pension contributions including contributions to the USS	14	12
	<hr/>	<hr/>

Notes *(continued)*

6 Staff costs *(continued)*

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

	Total 2005	Total 2004
£70,001 - £80,000	10	9
£80,001 - £90,000	7	6
£90,001 - £100,000	3	-
£100,001 - £110,000	2	3
£120,001 - £130,000	1	-
	<hr/>	<hr/>

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

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

	2005 £000	2004 £000
Compensation paid and payable to the former post-holders	263	51
Estimated value of other benefits, including provisions for pension benefits	75	95
	<hr/>	<hr/>

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

Notes *(continued)*

7 Other operating expenses

	2005	2004
	£000	£000
Consumables and laboratory expenses	7,461	7,072
Books and periodicals	1,674	1,542
Heat, light, water and power	2,089	2,044
Repairs and general maintenance	3,348	3,177
Rents and accommodation hire	2,900	2,654
Food and catering costs	917	1,012
Auditors' remuneration*	59	47
Auditors' remuneration in respect of non-audit services	52	74
Equipment operating lease rentals	618	724
Course costs, professional and consultancy fees	7,403	8,182
Transport, travel and subsistence	2,858	2,608
Advertising, marketing, telephone and postage	3,199	2,491
Franchising	1,623	961
Rates	292	380
Insurance	511	455
Staff development and agency costs	2,390	1,470
Other expenses	2,639	2,107
	<hr/> 40,033 <hr/>	<hr/> 37,000 <hr/>

* Includes £45,284 in relation to the University and £13,716 in relation to the subsidiary companies.

8 Interest payable

	2005	2004
	£000	£000
Bank and other loans wholly repayable within five years	270	199
Loans not wholly repayable within five years	677	745
	<hr/> 947 <hr/>	<hr/> 944 <hr/>

Notes *(continued)*

9 Analysis of expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	63,514	1,168	17,390	-	82,072
Academic services	9,136	966	5,981	-	16,083
Research grants and contracts	2,361	-	1,789	-	4,150
Residences, catering and conferences	1,363	54	2,010	-	3,427
Premises	4,727	2,792	6,197	947	14,663
Administration	6,042	872	5,180	-	12,094
Other expenses	1,728	218	1,486	-	3,432
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total per income and expenditure account	88,871	6,070	40,033	947	135,921
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		£000			
<i>The depreciation has been funded by:</i>					
Deferred capital grants released (note 19)		784			
Revaluation reserve released (note 20)		1,304			
General income		3,982			
		<hr/>			
		6,070			
		<hr/>			

Notes (continued)

10 Deficit on continuing operations for the period

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

	2005 £000	2004 £000
University deficit for the period	(8,782)	(2,013)
(Deficit)/surplus generated by subsidiary undertakings and transferred to the University under a gift aid payment plus surplus generated by the Student's Union	(230)	741
Share of profit/(loss) in joint venture	15	(36)
	(8,997)	(1,308)

11 Tangible assets

	Group Freehold land and buildings £000	Fixtures and fittings £000	Furniture and equipment £000	Assets under course of construction £000	Total £000
<i>Cost or valuation:</i>					
At 1 August 2004	158,413	2,599	53,334	1,070	215,416
Additions	12,859	2,198	5,360	19,483	39,900
Disposals	(21)	-	(105)	-	(126)
Transfers	6	2,531	(2,062)	(475)	-
At 31 July 2005	171,257	7,328	56,527	20,078	255,190
<i>Accumulated depreciation:</i>					
At 1 August 2004	43,152	1,206	44,633	-	88,991
Charge for the year	2,937	1,778	1,355	-	6,070
Disposals	(17)	-	(83)	-	(100)
At 31 July 2005	46,072	2,984	45,905	-	94,961
<i>Net book value:</i>					
At 31 July 2005	125,185	4,344	10,622	20,078	160,229
At 31 July 2004	115,261	1,393	8,701	1,070	126,425

Notes (continued)

11 Tangible assets (continued)

	University Freehold	Fixtures	Furniture	Assets under course of construction	Total
	land and buildings £000	and fittings £000	and equipment £000	£000	£000
<i>Cost or valuation:</i>					
At 1 August 2004	155,441	-	50,185	1,070	206,696
Additions	12,826	438	5,119	19,455	37,838
Transfers	-	2,220	(2,062)	(158)	-
At 31 July 2005	168,267	2,658	53,242	20,367	244,534
<i>Accumulated depreciation:</i>					
At 1 August 2004	41,973	-	42,107	-	84,080
Charge for the year	2,749	1,520	1,025	-	5,294
At 31 July 2005	44,722	1,520	43,132	-	89,374
<i>Net book value:</i>					
At 31 July 2005	123,545	1,138	10,110	20,367	155,160
At 31 July 2004	113,468	-	8,078	1,070	122,616

Freehold land with a book value of £9,692,000 (2004: £9,692,000) (Group and University) is not depreciated. In accordance with the current RICS practice notes, the land element of the University's estate has been valued net of the costs of demolishing any buildings on that land.

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

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

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

Land and buildings with a net book value of £16,063,000 have been financed by exchequer funds. Should these assets be sold, the University may be liable, under the terms of the financial memorandum with the Council, to surrender the proceeds.

The University has entered a joint venture agreement and formed BioCity Nottingham Limited with the University of Nottingham and EMDA. The aims of the joint venture are the establishment and operation of a Healthcare and Bioscience Innovation Centre for the purposes of research, development, healthcare and related educational use. The

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

building for the joint venture was donated to the University by BASF plc and is included in freehold land and buildings additions at an open market value of £2,500,000 as determined by an independent valuation carried out during March 2001.

12 Investments

	Group				
	Other investments £000	Listed investments £000	Loans £000	Participating Interests £000	Total £000
<i>Cost:</i>					
At 1 August 2004	58	34	250	217	559
Additions	-	-	-	15	15
Disposals	(50)	-	-	-	(50)
At 31 July 2005	8	34	250	232	524
	University				
	Shares in group undertakings £000	Other investments £000	Listed investments £000	Loans £000	Total £000
<i>Cost:</i>					
At 1 August 2004	1,322	-	34	650	2,006
Additions	750	-	-	-	750
At 31 July 2005	2,072	-	34	650	2,756

The University owns the total issued share capital of 455,000 ordinary shares of £1 in Nottingham Consultants Limited, 1,617,000 ordinary shares of £1 in Nottingham Law School Limited, 2 ordinary shares of £1 in Nottingham Trent Residences 1 PLC and is the sole subscriber to the Education Support Centre (UK) Limited, all companies being registered in Great Britain and incorporated in England and Wales. The University also owns 19% of the issued share capital of IC Routing Limited. Listed investments represent investments listed on the London Stock Exchange.

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

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:

	2005 £000	2004 £000
Gross assets	232	253
Gross liabilities	-	(36)
Net assets	232	217

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

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

The above subsidiaries are all incorporated in Great Britain.

Notes *(continued)*

13 Stock and stores in hand

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Consumables	328	328	359	359
Goods for resale	103	39	224	94
	<u>431</u>	<u>367</u>	<u>583</u>	<u>453</u>
	<u><u>431</u></u>	<u><u>367</u></u>	<u><u>583</u></u>	<u><u>453</u></u>

14 Debtors: amounts falling due within one year

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Trade debtors	4,663	3,212	3,717	2,345
Other debtors	63	-	3	-
Amounts owed by subsidiary undertakings	-	6,823	-	6,498
Loan to Union of Students	-	211	-	91
Prepayments	587	480	744	574
Accrued income	1,241	1,114	1,498	1,405
VAT recoverable	638	-	545	-
	<u>7,192</u>	<u>11,840</u>	<u>6,507</u>	<u>10,913</u>
	<u><u>7,192</u></u>	<u><u>11,840</u></u>	<u><u>6,507</u></u>	<u><u>10,913</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 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Amounts owed by subsidiary undertakings	-	677	-	1,245
(note 14)	<u>-</u>	<u>677</u>	<u>-</u>	<u>1,245</u>
	<u><u>-</u></u>	<u><u>677</u></u>	<u><u>-</u></u>	<u><u>1,245</u></u>

Notes (continued)

16 Creditors: amounts falling due within one year

	Group	University	Group	University
	2005	2005	2004	2004
	£000	£000	£000	£000
Loans from LEAs	538	538	536	536
Bank loan	395	395	210	210
General creditors	3,759	3,287	2,625	2,340
Amounts owed to subsidiary undertakings	-	174	-	241
Other creditors including tax and social security	3,007	2,982	3,233	2,999
Funding councils holdback	172	172	-	-
Accruals	7,075	6,730	3,383	3,212
Deferred income	9,333	8,802	7,205	7,046
	<u>24,279</u>	<u>23,080</u>	<u>17,192</u>	<u>16,584</u>
	<u><u>24,279</u></u>	<u><u>23,080</u></u>	<u><u>17,192</u></u>	<u><u>16,584</u></u>

17 Creditors: amounts falling due after more than one year

	Group	University	Group	University
	2005	2005	2004	2004
	£000	£000	£000	£000
Loans from LEAs				
Repayable between one and five years	1,736	1,736	1,843	1,843
Repayable in six years or more	6,461	6,461	6,877	6,877
	<u>8,197</u>	<u>8,197</u>	<u>8,720</u>	<u>8,720</u>
Bank loans	23,746	23,746	4,208	4,208
Amounts owed to subsidiary undertakings	-	37	-	201
	<u>31,943</u>	<u>31,980</u>	<u>12,928</u>	<u>13,129</u>
	<u><u>31,943</u></u>	<u><u>31,980</u></u>	<u><u>12,928</u></u>	<u><u>13,129</u></u>

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

A loan facility of £55m has been secured to fund, in part, the estate regeneration programme. At the balance sheet date £23.75m had been drawn down against the facility.

Notes *(continued)*

18 Provisions for liabilities and charges

	Group and University		
	Restruct- uring £000	Pensions £000	Total £000
At 1 August 2004	-	13,008	13,008
Charge for the year	3,077	1,163	4,240
	<hr/>	<hr/>	<hr/>
	3,077	14,171	17,248
Utilised in year	-	(922)	(922)
	<hr/>	<hr/>	<hr/>
At 31 July 2005	3,077	13,249	16,326
	<hr/>	<hr/>	<hr/>

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

Notes *(continued)*

19 Deferred capital grants

	Group and University		
	Funding councils £000	Other grants £000	Total £000
At 1 August 2004			
Buildings	12,777	3,280	16,057
Equipment	808	237	1,045
	<hr/>	<hr/>	<hr/>
Total	13,585	3,517	17,102
	<hr/>	<hr/>	<hr/>
Cash received			
Buildings	3,737	-	3,737
Equipment	1,189	76	1,265
	<hr/>	<hr/>	<hr/>
Total	4,926	76	5,002
	<hr/>	<hr/>	<hr/>
Released to income and expenditure account			
Buildings (notes 1 and 4)	451	76	527
Equipment (notes 1 and 4)	217	40	257
	<hr/>	<hr/>	<hr/>
Total	668	116	784
	<hr/>	<hr/>	<hr/>
At 31 July 2005			
Buildings	16,063	3,204	19,267
Equipment	1,780	273	2,053
	<hr/>	<hr/>	<hr/>
Total	17,843	3,477	21,320
	<hr/>	<hr/>	<hr/>

Notes (continued)

20 Revaluation reserve

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
<i>Revaluations</i>				
At 1 August	78,515	79,895	78,515	79,895
Revaluation in year	-	-	-	-
Eliminated on disposals	-	-	-	-
At 31 July	78,515	79,895	78,515	79,895
<i>Contributions to depreciation</i>				
At 1 August	25,376	25,376	24,484	24,484
Released in year	1,304	1,304	1,405	1,405
Less: reimbursed by HEFCE	(521)	(521)	(513)	(513)
At 31 July	26,159	26,159	25,376	25,376
<i>Net revaluation amount</i>				
At 31 July 2005	52,356	53,736	53,139	54,519

21 Capital reserve

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
At 1 August 2004 and 31 July 2005	60	-	60	-

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

Notes *(continued)*

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

	2005	2004
	£000	£000
Deficit after depreciation of assets at valuation and after tax	(8,997)	(2,153)
Release of capital grant (note 19)	(784)	(554)
Depreciation (note 11)	6,070	6,474
Decrease in stock	152	61
Increase in debtors	(685)	(194)
Increase in creditors	3,593	3,329
Increase in provisions	3,318	710
Interest payable	947	944
Interest receivable	(1,474)	(1,313)
Share of (profit)/loss in joint venture	(15)	36
	<hr/>	<hr/>
Net cash inflow from operating activities	2,125	7,340
	<hr/> <hr/>	<hr/> <hr/>

23 Returns on investments and servicing of finance

	2005	2004
	£000	£000
Income from short term investments	1,471	1,369
Other interest received	3	2
Interest paid	(989)	(872)
HEFCE debt reimbursement	677	745
	<hr/>	<hr/>
	1,162	1,244
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

24 Capital expenditure and financial investment

	2005	2004
	£000	£000
Tangible assets acquired (other than leased equipment)	(37,187)	(9,989)
Deferred capital grants received (note 19)	5,002	3,339
Sale of investments	35	-
	(32,150)	(6,650)

25 Management of Liquid Resources

	2005	2004
	£000	£000
Withdrawals from/(placing of) deposits	8,612	(1,340)

26 Financing

	2005	2004
	£000	£000
New loans	24,141	-
Repayment of amounts borrowed	(4,939)	(768)
Amounts reimbursed by HEFCE	521	513
Net cash inflow/(outflow)	19,723	(255)

27 Analysis of changes in net funds/(debt)

	At 1 August		Other	At 31 July
	2004	Cash flows	Changes	2005
	£000	£000	£000	£000
Cash at bank and in hand	1,272	(528)	-	744
Short term deposits	28,590	(8,612)	-	19,978
Debt due within one year	(746)	731	(918)	(933)
Debt due after one year	(12,928)	4,208	(23,223)	(31,943)
	16,188	(4,201)	(24,141)	(12,154)

Notes (continued)**28 Major non-cash transactions**

During the year the University made a provision of £1,163,000 (2004: £1,662,000) for future pension costs and £3,077,000 (2004: £nil) for exceptional restructuring costs – see note 18.

29 Pension and similar obligations

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

Teachers Pension Scheme

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

TPS Fund position at last valuation

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

* The assets of the TPS are notional assets.

Nottinghamshire County Council Pension Fund

The NCCPF is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary and during this accounting period were equal to 13.8% to 31 March 2004 and 14.5% thereafter. A valuation by the Fund's actuary was carried at 31 March 2004 and the fund position is detailed below:

NCCPF Fund position at last valuation

Latest actuarial valuation	31 March 2004	
Valuation method	Projected unit	
Value of assets	£1,503m	
Funding level for accrued benefits	73.0%	
	<i>Past service liabilities</i>	<i>Future service liabilities</i>
Investment return per annum		
- pre retirement	7.35%	6.5%
- post retirement	5.6%	6.5%
Salary scale increases per annum	4.25%	4.25%
Pension increase per annum	2.3%	2.5%

Notes (continued)

29 Pension and similar obligations (continued)

FRS 17 disclosures

The NCCPF is a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 July 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 July 2005	31 July 2004	31 July 2003	31 July 2002
Rate of increase in salaries	4.45%	4.3%	4.0%	4.0%
Rate of increase in pensions in payment	2.7%	2.8%	2.5%	2.5%
Discount rate	5.0%	5.7%	5.5%	6.0%
Inflation assumption	2.7%	2.8%	2.5%	2.5%

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

	2005		2004		2003		2002	
	Long term	Value at	Long term	Value at	Long term	Value at	Long term	Value at
	rate of	31 July	rate of	31 July	rate of	31 July	rate of	31 July
	return	£000	return	£000	return	£000	return	£000
	expected at		expected at		expected at		expected at	
	31 July		31 July		31 July		31 July	
	2005		2004		2003		2002	
Equities	7.5%	51,579	7.5%	40,542	7.5%	33,226	8.0%	34,254
Government bonds	4.4%	10,284	5.0%	8,797	4.7%	6,623	6.0%	10,245
Other bonds	5.0%	3,696	5.7%	3,506	5.5%	5,613	6.0%	-
Property	6.5%	11,167	6.5%	7,076	6.5%	7,072	7.0%	5,588
Other	4.75%	3,615	4.5%	3,825	3.75%	3,591	4.0%	1,656
		80,341		63,746		56,125		51,743

The following amounts at 31 July 2005 were measured in accordance with the requirements of FRS 17:

	2005 £000	2004 £000	2003 £000	2002 £000
Total market value of assets	80,341	63,746	56,125	51,743
Present value of scheme liabilities	(121,877)	(98,229)	(88,726)	(75,387)
Deficit of the scheme - Net pension liability	(41,536)	(34,483)	(32,601)	(23,644)

Notes (continued)

29 Pension and similar obligations (continued)

If the above amounts had been recognised in the financial statements, the University's net assets and general reserve at 31 July 2005 would be as follows:

	2005 £000	2004 £000	2003 £000	2002 £000
Net assets excluding pension liability	116,550	120,808	118,818	116,939
Add back of enhanced pension provision	2,939	2,761	2,758	2,364
Add back of SSAP24 under funding provision	240	240	240	160
Pension liability	(41,536)	(34,483)	(32,601)	(23,644)
Net assets including pension liability	78,193	89,326	89,215	95,819
<hr/>				
General reserve excluding pension liability	42,814	50,507	50,410	49,503
Add back of enhanced pension provision	2,939	2,761	2,758	2,364
Add back of SSAP24 under funding provision	240	240	240	160
Pension liability	(41,536)	(34,483)	(32,601)	(23,644)
General reserve including pension liability	4,457	19,025	20,807	28,383

Additionally, if the pension costs had been recognised in accordance with FRS 17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2005:

	2005 £000	2004 £000	2003 £000
<i>Analysis of amounts charged to income and expenditure account:</i>			
Current service cost	3,557	3,326	2,753
Past service / curtailment cost	304	219	147
	3,861	3,545	2,900
<hr/>			
<i>Financing:</i>			
- expected return on pension scheme assets	4,378	3,790	3,860
- interest on expected scheme liabilities	(5,654)	(4,952)	(4,559)
	(1,276)	(1,162)	(699)
<hr/>			
<i>Analysis of amounts recognised in statement of total recognised gains and losses:</i>			
Expected return less actual return on pension scheme assets	9,931	1,306	(768)
Experience gains and losses arising on scheme liabilities	7	-	-
Changes in assumptions underlying the present value of scheme liabilities	(15,410)	(1,709)	(7,442)
	(5,472)	(403)	(8,210)

Notes (continued)**29 Pension and similar obligations** (continued)

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

	2005 £000	2004 £000	2003 £000
Deficit on scheme at 1 August	(34,483)	(32,601)	(23,644)
Movement in year:			
- current service cost	(3,557)	(3,326)	(2,753)
- contributions	3,556	3,228	2,852
- past service / curtailment costs	(304)	(219)	(147)
- net (cost)/return on assets	(1,276)	(1,162)	(699)
- actuarial loss	(5,472)	(403)	(8,210)
Deficit on scheme at 31 July	(41,536)	(34,483)	(32,601)

The experience gains and losses for the year ended 31 July 2005 were as follows:

	2005	2004	2003	2002
<i>Difference between expected and actual return on scheme assets:</i>				
Amount (£000)	9,931	1,306	(768)	(12,771)
Percentage of scheme assets	12.4%	2.0%	1.4%	24.7%
<i>Experience gains and losses on scheme liabilities:</i>				
Amount (£000)	7	-	-	-
Percentage of scheme liabilities	-	-	-	-
<i>Total amount recognised in the statement of total recognised gains and losses:</i>				
Amount (£000)	(5,472)	(403)	(8,210)	(12,771)
Percentage of the present value of the scheme liabilities	4.5%	0.4%	9.3%	16.9%

The pension charge for the year was £9,182,000 (2004: £9,099,000); this included an amount in respect of enhanced pension entitlements of staff taking early retirement. The calculation of the cost of early retirement provisions charged to the income and expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% (2004: 3.5%) in excess of price inflation.

A provision of £1,163,000 (2004: £1,662,000) has been made in the 2005 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.

30 Contingent liability

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

Notes (continued)

30 Contingent liability (continued)

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

31 Commitments

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

	2005 £000	2004 £000
<i>Leases of buildings expiring:</i>		
In two to five years	563	456
In over five years	724	1,252
	<hr/> 1,287	<hr/> 1,708
	<hr/>	<hr/>
	2005	2004
	£000	£000
<i>Leases of plant and equipment expiring:</i>		
Within one year	3	-
In two to five years	287	269
After more than five years	-	90
	<hr/> 290	<hr/> 359
	<hr/>	<hr/>

32 Related party transactions

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

33 Access funds

	2005 £000	2004 £000
Funding council grants	988	1,052
Interest earned	14	11
	<hr/> 1,002	<hr/> 1,063
Disbursements to students	978	1,025
	<hr/>	<hr/>
Balance unspent at 31 July	24	38
	<hr/>	<hr/>

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

Notes *(continued)*

34 Learner support funds

	2005 £000	2004 £000
Funding council grants	157	143
	<hr/>	<hr/>
Disbursements to students	157 (157)	143 (143)
	<hr/>	<hr/>
Balance unspent at 31 July	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

35 Teacher Training Agency bursaries

	2005 £000	2004 £000
Funding council grants	1,465	1,344
	<hr/>	<hr/>
Disbursements to students	1,465 (1,465)	1,344 (1,344)
	<hr/>	<hr/>
Balance unspent at 31 July	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

36 PGCE bursaries

	2005 £000	2004 £000
Funding council grants	277	261
	<hr/>	<hr/>
Disbursements to students	277 (277)	261 (261)
	<hr/>	<hr/>
Balance unspent at 31 July	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

Notes *(continued)*

37 Teacher Training Agency salary grant

	2005	2004
	£000	£000
Funding council grants	891	-
	<hr/>	<hr/>
	891	-
Disbursements to students	(891)	-
	<hr/>	<hr/>
Balance unspent at 31 July	-	-
	<hr/> <hr/>	<hr/> <hr/>

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