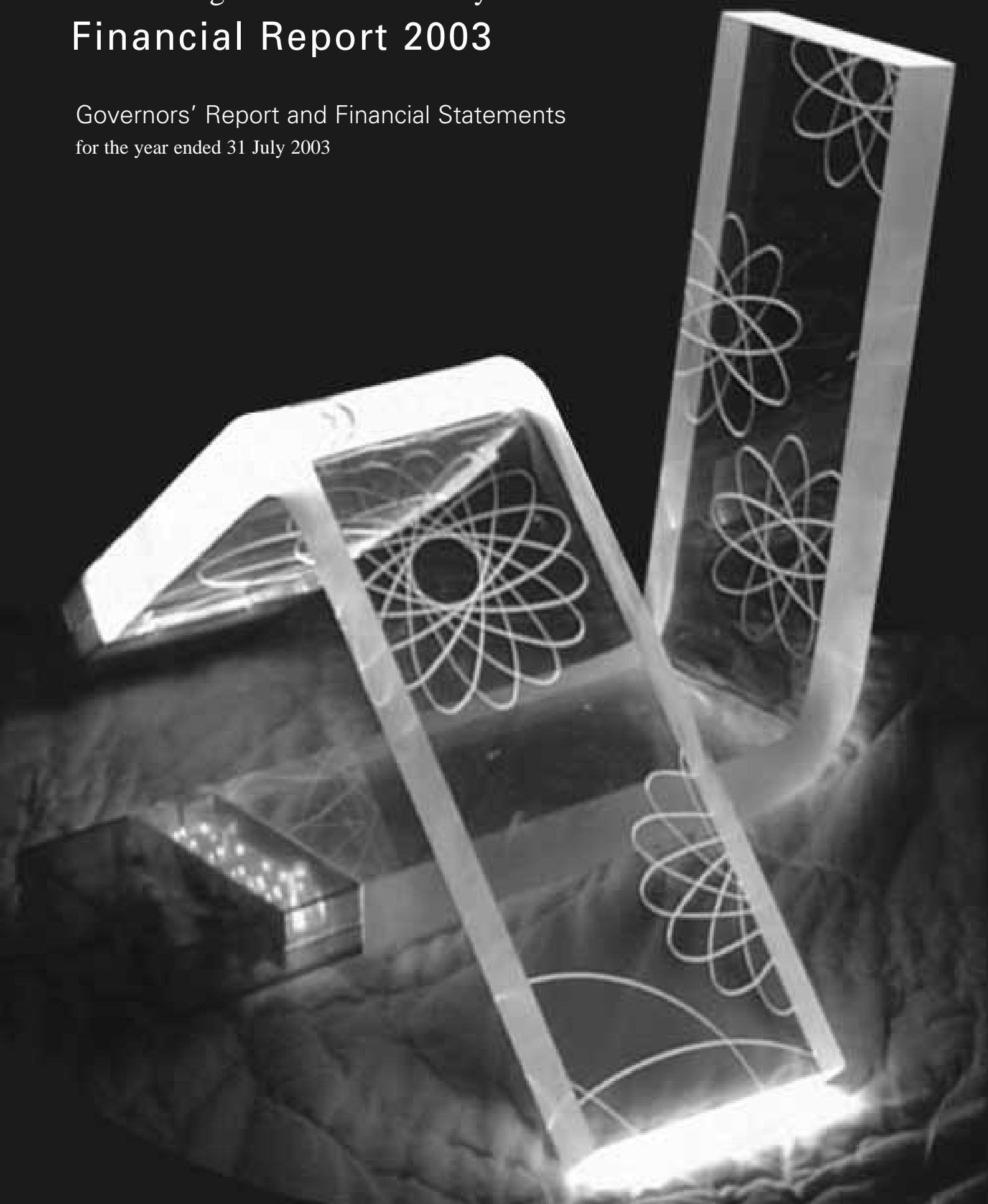


# The Nottingham Trent University Financial Report 2003

Governors' Report and Financial Statements  
for the year ended 31 July 2003





# Contents

02	Governors' report
06	The university's structure of Corporate Governance
07	The university's statement of internal control
08	Responsibilities of the Board of Governors
09	Independent auditors' report to the Board of Governors of The Nottingham Trent University
10	Statement of principal accounting policies
12	Consolidated income and expenditure account
13	Consolidated statement of total recognised gains and losses
13	Consolidated statement of historical cost surpluses and deficits
14	Balance sheets
15	Consolidated cash flow statement
15	Reconciliation of net cash flow to movement in net funds
16	Notes

# Governors' Report

## Scope of the financial statements

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

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

Nottingham Trent Enterprises Limited oversees and supervises the operation of the subsidiaries;

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; and

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

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

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

## Results for the Year

The Income & Expenditure Account shows an historical cost surplus of £907,000 for the year. This favourable position, summarised in the table below, reflects the financial benefits of the very generous donation by BASF plc of the Pennyfoot Street premises, believed to represent the largest corporate donation ever granted to a post 1992 university. Further details of this project are given in the "Future Developments" section below and in Note 12. Exceptional costs have been incurred this year relating to an academic restructuring exercise. The net effect of these transactions, added to the underlying operating position, is that the university's uncommitted reserves have been significantly strengthened.

# Governors' Report *(continued)*

## Results for the Year (continued)

The summary position is shown below:

	2003 £m	2002 £m	Increase %
Income	116.9	114.2	2.4
Historical Cost Surplus after Exceptional items and Surpluses on Disposals	0.9	18.8	-
Accumulated Historical Cost Surplus	50.4	49.5	1.8
Net Assets	118.8	116.9	1.6

## Treasury Management

There has been a net cash outflow this financial year of £74,000 after accounting for the university continuing to demonstrate its commitment to improvement of the estate and infrastructure with capital expenditure of £11.0m.

At 31 July 2003, net cash and short-term deposits totalled £28.2m. Long-term debt, resulting from the construction of the Library, amounted to £4.6m.

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

## Estate and Capital Developments

Three new significant capital projects were completed during the year:

- Biomedical Centre – this block, costing £2.1m, provides state-of-the-art research facilities bringing enormous benefits for staff, postgraduate and undergraduate students. The development has been part funded (£1.2m) by the Science Research Investment Fund (SRIF) scheme;
- Teaching block at Brackenhurst – this facility, costing £2.82m, of which £1.71m was funded by the HEFCE, provides teaching rooms and laboratories and office space.
- Nottingham Training Centre - this purpose-built training centre on the Clifton campus is a joint venture with Toyota and provides national support for the Lexus franchise in management, operational and technical training – making it the principal Lexus brand training facility in the UK. This development will continue the expansion of the university's entrepreneurial activities.

# Governors' Report *(continued)*

## Estate and Capital Developments (continued)

The most significant capital project commenced during the year was the construction of a 446 room student residence on the City campus. This project, scheduled for completion in September 2004, will help ensure that the university continues to provide first rate facilities for all our students.

During the year approximately £0.6m has been spent on improving disabled access to university facilities and £0.4m on teaching and learning development, both financially supported by HEFCE Special Initiative funding.

## Future Developments

The excellence and relevance of the university's teaching and research, leading to impressive graduate employability statistics, has yet further enhanced the reputation of The Nottingham Trent University as evidenced in published university league tables.

BioCity Nottingham, a joint venture with the University of Nottingham and the East Midlands Development Agency (EMDA), provides a scientific facility of international standing on the site donated to the university by BASF Plc. Part of the mission of BioCity is to harness the strong intellectual base of the region's universities, offering a focus for spinout companies and research projects which are at the crucial stage of being transformed into commercial ventures.

Commercial exploitation of intellectual property developed through teaching and research excellence, and supported by partnerships such as BioCity, remains a critically important part of this university's strategy.

## Conclusion

The university is in a strong financial position, particularly when compared to the higher education sector as a whole. Excellent liquidity and low long-term debt provide a solid platform to ensure continued success in the future.

# Governors' Report *(continued)*

## Membership

The members of the Board during the year to 31 July 2003, 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 - appointed 11 March 2003

Mr M Freyd - appointed 11 March 2003

Mr RW Ruse

Mr JJH Watson

### Educationalist member

Mrs M Puckey

### Academic board member

Dr NAA Macfarlane

### Student nominee

Ms L Coleridge

### General staff member

Mr CA France

### Local authority nominees

City Councillor G Chapman - resigned 22 May 2003

City Councillor JN Collins - appointed 15 July 2003

County Councillor R Needham

### Vice-Chancellor

Professor R Cowell DL - retired 30 September 2003

Professor NT Gorman - appointed 1 October 2003

### Director of Finance

Mr DE Morgan - retired 31 March 2003

Mr JA Lacey (Acting Director) - appointed 1 April 2003



Mr J Peace  
Chairman



Prof NT Gorman  
Vice-Chancellor

8 December 2003

# The university's structure of Corporate Governance

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

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

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

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

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

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

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



# The university's statement of Internal Control

1. As the governing body of 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 those processes and procedure were in place at 31 July 2003 and, thereby, it will provide a full statement on internal control for the whole of the financial year 2003/04. This takes account of the time needed to fully embed the processes which the governing body and management have agreed should be established and to improve their robustness.
4. The Board of Governors has responsibility for reviewing the effectiveness of the system of internal control and has established the following processes:
  - a) Consideration of the plans and strategic direction of the university is included on the agenda of all meetings of the Board of Governors.
  - b) The Board receives periodic reports from the Chairman of the Audit Committee concerning internal control.
  - c) The Planning Working Group – a sub group of the Executive Board – undertakes the role of the Risk Strategy Panel to oversee risk management. In addition the risk management function has been resourced by the appointment of a Project Sponsor, Risk Manager and Risk Management Co-ordinator. Principal budget holders (risk owners) are required to give regular reports on risk management in their faculty/central service.
  - d) The university has an Internal Audit Service that operates to standards defined in the HEFCE Audit Code of Practice. It submits regular reports to the university's Audit Committee on the adequacy and effectiveness of the system of internal control and the management of risks, together with recommendations for improvement. The Internal Audit Service was last reviewed for effectiveness by the HEFCE Audit Service in 2000/2001.
  - e) There is a requirement that the agenda for Executive Board and Faculty/Central Service Boards include risk management in order to maintain awareness of this key aspect of management and to share knowledge of risks.
  - f) A system of key performance and risk indicators has been developed.
  - g) A robust risk prioritisation methodology has been established.
  - h) An organisation-wide risk register is now maintained, containing improvement actions and timescales. Risk owners are required to regularly update the Register on the steps they are taking to manage risk in their area of responsibility, including progress reports on key projects.
5. The Board's review of the effectiveness of the system of internal control is informed by the work of the executive managers within the university, who have responsibility for the development and maintenance of the internal control framework, the work of the Internal Audit Service and by comments made by the external auditors in their management letter and other reports.

# Responsibilities of the Board of Governors

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

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

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

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

The Board of Governors has taken reasonable steps to:

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

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

We have audited the financial statements on pages 10 to 36, which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the 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 2003 and of the group's surplus 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 2003 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2003 has been applied in accordance with the university's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England, the funding agreement with the Teacher Training Agency and the funding agreement with the Learning and Skills Council.

KPMG LLP

*KPMG LLP*

8 December 2003

Chartered Accountants  
Registered Auditor

St Nicholas House  
Park Row  
NOTTINGHAM  
NG1 6FQ

# Statement of principal accounting policies

## Accounting convention

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

## Basis of consolidation

The consolidated financial statements incorporate the financial statements of the university and its subsidiaries Nottingham Trent Enterprises Limited, Nottingham Consultants Limited, Nottingham Law School Limited, The Nottingham Trent University Charitable Trust, and Nottingham Trent Residences 1 PLC. 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 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. Grants for the purchase of fixed assets are credited to the income and expenditure account over the estimated useful lives of those assets. Deferred credits in respect of grants received which are to be applied to subsequent years are included in deferred capital grants (note 20).

## Pension schemes

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

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

## Foreign currency

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

## Leases

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

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

## Tangible fixed assets

- Land and buildings
- As a consequence of the Education Reform Act 1988, the freehold and leasehold interests in properties occupied by the university previously held by the respective Local Education Authorities ('LEAs') were formally transferred to the university with effect from 1 April 1989. The land and buildings have been valued by Savills Land & Property Limited at 31 July 1997, in accordance with Practice Statement 4.8 of the RICS Appraisal and Valuation Manual issued as at 1 January 1996 as amended (Depreciated Replacement Cost basis). Certain properties, where appropriate, have been valued in accordance with Practice Statement 4.2 of the Manual (Open Market Value basis).
- Capitalisation level
- Fixed asset additions are capitalised where the cost of such assets exceeds £10,000. Items costing less than this amount are written off in the year of purchase.

### 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.

# Statement of principal accounting policies (continued)

## 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 as incurred in accordance with FRS12.

## Stock

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

## Cash flows and liquid resources

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

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

## Taxation

The university is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Taxes Act 1988. Accordingly, it is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. Nottingham Trent Enterprises Limited, Nottingham Consultants Limited and its subsidiaries, Nottingham Law School Limited, Nottingham Trent Residences 1 Plc and NTU Charitable Trust 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 2003

	<i>Note</i>	<b>Total 2003 £000</b>	Continuing operations 2002 £000	Dis- continued operations 2002 £000	<b>Total 2002 £000</b>
<b>Income</b>					
Funding council grants	1	58,796	56,459	-	56,459
Tuition fees and education contracts	2	37,039	33,537	-	33,537
Research grants and contracts	3	2,879	3,798	-	3,798
Other income	4	16,969	15,879	3,559	19,438
Endowment and investment income	5	1,195	972	-	972
<b>Total income</b>		<b>116,878</b>	110,645	3,559	114,204
<b>Expenditure</b>					
Staff costs	6	75,233	70,177	686	70,863
Exceptional restructuring costs	19	955	967	-	967
Exceptional pension costs		-	1,339	-	1,339
Other operating expenses	7	36,516	34,870	801	35,671
Depreciation	12	6,150	5,897	-	5,897
Interest payable	8	1,049	1,131	1,093	2,224
<b>Total expenditure</b>	9	<b>119,903</b>	114,381	2,580	116,961
(Deficit)/surplus on continuing operations after depreciation of assets at valuation		(3,025)	(3,736)	979	(2,757)
Exceptional gain on donated asset		2,500	-	-	-
Surplus on disposal of discontinued operations	10	-	-	8,010	8,010
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	11	(525)	(3,736)	8,989	5,253

## Income and expenditure account

	<b>Total 2003 £000</b>	Continuing operations 2002 £000	Dis- continued operations 2002 £000	<b>Total 2002 £000</b>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	(525)	(3,736)	8,989	5,253
Release from revaluation reserve	1,432	2,279	11,243	13,522
Historical cost surplus/(deficit) after tax	907	(1,457)	20,232	18,775
Balance at 31 July 2002	49,503	30,728	-	30,728
<b>Balance at 31 July 2003</b>	<b>50,410</b>	29,271	20,232	49,503

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 2003

	2003 £000	2002 £000
(Deficit)/surplus after depreciation of assets at valuation and tax	(525)	5,253
HEFCE reimbursement of principal element of debt charges	484	521
Total recognised (losses)/gains relating to the year	(41)	5,774

## Consolidated statement of historical cost surpluses and deficits for year ended 31 July 2002

	2003 £000	2002 £000
(Deficit)/surplus after depreciation of assets at valuation and tax	(525)	5,253
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,432	1,354
Realisation of revalued amounts on impaired assets	-	925
Realisation of revalued amounts on sold assets	-	11,243
Historical cost surplus after tax	907	18,775

## Balance sheets

### as at 31 July 2003

	<i>Note</i>	<b>Group 2003 £000</b>	<b>University 2003 £000</b>	<b>Group 2002 £000</b>	<b>University 2002 £000</b>
<b>Fixed assets</b>					
Tangible assets	12	122,320	118,599	117,755	113,660
Investments	13	595	1,779	342	1,131
		<u>122,915</u>	<u>120,378</u>	<u>118,097</u>	<u>114,791</u>
<b>Current assets</b>					
Stock and stores in hand	14	644	471	672	439
Debtors: due within one year	15	6,371	10,069	7,217	10,612
Debtors: due after one year	16	-	1,674	-	2,183
		<u>6,371</u>	<u>11,743</u>	<u>7,217</u>	<u>12,795</u>
Short term deposits		27,250	27,163	29,000	29,028
Cash at bank and in hand		941	518	1,007	621
		<u>35,206</u>	<u>39,895</u>	<u>37,896</u>	<u>42,883</u>
<b>Creditors: amounts falling due within one year</b>	17	(13,119)	(12,498)	(13,415)	(12,498)
<b>Net current assets</b>		<u>22,087</u>	<u>27,397</u>	<u>24,481</u>	<u>30,385</u>
<b>Total assets less current liabilities</b>		<u>145,002</u>	<u>147,775</u>	<u>142,578</u>	<u>145,176</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(13,886)	(14,251)	(14,654)	(15,138)
<b>Provisions for liabilities and charges</b>	19	(12,298)	(12,298)	(10,985)	(10,985)
<b>Net assets</b>		<u><u>118,818</u></u>	<u><u>121,226</u></u>	<u><u>116,939</u></u>	<u><u>119,053</u></u>
<i>Represented by:</i>					
<b>Deferred capital grants</b>	20	14,317	14,317	12,397	12,397
<b>Reserves</b>					
Revaluation reserve	21	54,031	55,411	54,979	56,359
Capital reserve	22	60	-	60	-
Income and expenditure account	23	50,410	51,498	49,503	50,297
		<u>104,501</u>	<u>106,909</u>	<u>104,542</u>	<u>106,656</u>
<b>Total funds</b>		<u><u>118,818</u></u>	<u><u>121,226</u></u>	<u><u>116,939</u></u>	<u><u>119,053</u></u>

The financial statements on pages 10 to 36 were approved by the Board of Governors on 8 December 2003 and signed on its behalf by:



Mr J Peace  
Chairman



Prof NT Gorman  
Vice-Chancellor



## Consolidated cash flow statement for the year ended 31 July 2003

	<i>Note</i>	<b>2003</b> <b>£000</b>	2002 £000
Net cash inflow from operating activities	24	<b>6,803</b>	14,185
Returns on investments and servicing of finance	25	<b>1,039</b>	(510)
Capital expenditure and financial investment	26	<b>(9,365)</b>	33,427
Cash (outflow)/inflow before management of liquid resources and financing		<b>(1,523)</b>	47,102
Management of liquid resources	27	<b>1,750</b>	(18,000)
Financing	28	<b>(301)</b>	(29,142)
<b>Decrease in cash</b>	29	<b>(74)</b>	(40)

## Reconciliation of net cash flow to movement in net funds for the year ended 31 July 2003

	<b>2003</b> <b>£000</b>	2002 £000
Decrease in cash in the period	(74)	(40)
(Decrease)/increase in short term deposits	(1,750)	18,000
Repayment of debt	785	26,800
Movement in deferred interest provision	-	2,863
<b>Change in net funds</b>	<b>(1,039)</b>	47,623
Net funds/(debt) at 1 August	<b>14,780</b>	(32,843)
<b>Net funds at 31 July</b>	<b>13,741</b>	14,780

# Notes

(forming part of the financial statements)

## 1 Funding council grants

	HEFCE £000	LSC £000	2003 TTA £000	Total £000	2002 Total £000
Recurrent grant	47,007	1,276	2,618	50,901	48,750
Specific grants					
Management development fund	134	-	-	134	15
TTA Initiatives	-	-	105	105	398
PGCE	329	-	-	329	295
Reimbursement of debt charges	805	-	-	805	901
Research	2,205	-	-	2,205	2,600
Inherited liabilities – rents	358	-	-	358	358
Rewarding and developing staff	1,469	-	-	1,469	778
Collaboration and restructuring	1,269	-	-	1,269	-
Research initiative	-	-	-	-	390
Joint Information Systems Committee	-	-	-	-	2
Fund for the development of teaching and learning	410	-	-	410	534
Special learning difficulties and disabilities	29	-	-	29	51
LAN/MAN	5	-	-	5	826
Active community fund	130	-	-	130	53
Foundation degrees	21	-	-	21	16
Reachout	299	-	-	299	241
Summer Schools	51	-	-	51	38
Pricing and costing	13	-	-	13	-
Deferred capital grants released in year					
Buildings (note 20)	229	-	-	229	182
Equipment (note 20)	34	-	-	34	31
	<u>54,797</u>	<u>1,276</u>	<u>2,723</u>	<u>58,796</u>	<u>56,459</u>

## 2 Tuition Fees and Education Contracts

	2003 £000	2002 £000
Full-time students	15,998	14,590
Full-time students charged overseas fees	2,472	2,154
Part-time fees	994	1,128
Short course fees	17,575	15,665
	<u>37,039</u>	<u>33,537</u>

## Notes

### (continued)

#### 3 Research grants and contracts

	2003 £000	2002 £000
Research councils	656	812
UK based charities	537	670
European Commission	353	537
Other grants and contracts	1,333	1,779
	<u>2,879</u>	<u>3,798</u>

#### 4 Other income

	Total 2003 £000	Continuing operations 2002 £000	Dis- continued operations 2002 £000	Total 2002 £000
Residences, catering and conferences	2,525	2,857	3,559	6,416
Other income generating activities	12,800	10,982	-	10,982
Released from deferred capital grants (note 20)	82	479	-	479
Other income	1,562	1,561	-	1,561
	<u>16,969</u>	<u>15,879</u>	<u>3,559</u>	<u>19,438</u>

#### 5 Endowment and Investment Income

	2003 £000	2002 £000
Income from short term investments	1,191	948
Other interest receivable	4	24
	<u>1,195</u>	<u>972</u>

## Notes

### (continued)

#### 6 Staff costs

	<b>Total 2003 £000</b>	Continuing operations 2002 £000	Dis- continued operations 2002 £000	<b>Total 2002 £000</b>
<i>Employee costs:</i>				
Wages and salaries	<b>63,298</b>	60,482	643	61,125
Social security costs	<b>4,802</b>	4,523	15	4,538
Other pension costs	<b>7,133</b>	5,172	28	5,200
	<b>75,233</b>	70,177	686	70,863

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

	<b>Total 2003 Number</b>	Continuing operations 2002 Number	Dis- continued operations 2002 Number	<b>Total 2002 Number</b>
Teaching departments	<b>1,058</b>	1,030	-	1,030
Teaching support services	<b>763</b>	727	-	727
Other support services	<b>34</b>	35	-	35
Administration and central services	<b>213</b>	216	-	216
Premises	<b>263</b>	258	56	314
Other	<b>25</b>	25	-	25
	<b>2,356</b>	2,291	56	2,347

#### *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.

	<b>2003 £000</b>	<b>2002 £000</b>
Emoluments of the Vice Chancellor excluding pension contributions	<b>169</b>	161
Arrears of 2002 pay award relating to the 2001/02 financial year	<b>3</b>	-
	<b>172</b>	161
The university's pension contributions including contributions to the TPS	<b>17</b>	13

## Notes

### (continued)

#### 6 Staff costs (continued)

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

	<b>Total 2003 £000</b>	<b>Total 2002 £000</b>
£70,001 - £80,000	14	5
£80,001 - £90,000	3	4
£90,001 - £100,000	-	2
£100,001 - £110,000	2	-
	<u>19</u>	<u>11</u>

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

## Notes

### (continued)

#### 7 Other operating expenses

	<b>Total 2003 £000</b>	Continuing operations 2002 £000	Dis- continued operations 2002 £000	<b>Total 2002 £000</b>
Consumables and laboratory expenses	7,996	8,019	25	8,044
Books and periodicals	1,395	1,484	-	1,484
Heat, light, water and power	1,822	1,512	356	1,868
Repairs and general maintenance	2,382	2,644	337	2,981
Rents and accommodation hire	2,679	2,010	-	2,010
Food and catering costs	850	748	-	748
Auditors' remuneration	55	66	-	66
Auditors' remuneration in respect of non-audit services	35	32	-	32
Equipment operating lease rentals	615	619	-	619
Course costs, professional and consultancy fees	8,676	8,515	-	8,515
Transport, travel and subsistence	2,452	2,116	1	2,117
Advertising, marketing, telephone and postage	2,215	2,219	80	2,299
Franchising	1,160	1,249	-	1,249
Rates	385	275	-	275
Insurance	488	310	-	310
Staff development and agency costs	959	927	-	927
Other expenses	2,352	2,125	2	2,127
	<b>36,516</b>	<b>34,870</b>	<b>801</b>	<b>35,671</b>

#### 8 Interest payable

	<b>Total 2003 £000</b>	Continuing operations 2002 £000	Dis- continued operations 2002 £000	<b>Total 2002 £000</b>
Bank and other loans wholly repayable within five years	244	230	-	230
Loans not wholly repayable within five years	805	901	-	901
Finance leases	-	-	1,093	1,093
	<b>1,049</b>	<b>1,131</b>	<b>1,093</b>	<b>2,224</b>

## Notes

### (continued)

#### 9 Analysis of expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	54,997	965	16,804	-	72,766
Academic services	6,646	1,147	3,851	223	11,867
Research grants and contracts	1,846	-	1,423	-	3,269
Residences, catering and conferences	1,055	59	1,342	-	2,456
Premises	4,334	2,652	6,572	806	14,364
Administration	5,892	1,142	4,920	-	11,954
Other expenses	1,418	185	1,604	20	3,227
Total per income and expenditure account	76,188	6,150	36,516	1,049	119,903

£000

*The depreciation has been funded by:*

Deferred capital grants released (note 20)	345
Revaluation reserve released (note 21)	1,432
General income	4,373
	6,150

#### 10 Surplus on disposals of discontinued operations

	2003 £000	2002 £000
Cash received on disposal of properties	-	51,695
Net book value of disposed properties	-	(39,679)
Interest and breakage costs of associated debt financing	-	(3,501)
Attributable professional fees	-	(469)
Other attributable costs	-	(36)
		8,010
Release from revaluation reserve	-	11,243
	-	19,253

Included within attributable professional fees is £82,000 paid to the auditors in connection with the transaction.

The disposal comprised the granting of a 33 years leasehold interest in the university's halls of residence, comprising some 2,326 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 halls will revert to the university at the end of the lease. Periodic reviews of the reversionary interest will be undertaken during the term of the lease and appropriate accounting adjustments will be made.

## Notes

### (continued)

#### 11 Deficit on continuing operations for the period

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

	2003 £000	2002 £000
University deficit for the period	(1,072)	(4,656)
Surplus generated by subsidiary undertakings and transferred to the university under a gift aid payment plus surplus generated by the Student's Union	694	920
Share of loss in joint venture	(147)	-
	<u>(525)</u>	<u>(3,736)</u>

#### 12 Tangible assets

	Freehold land and buildings £000	Group Fixtures and fittings £000	Furniture and equipment £000	Total £000
<i>Cost or valuation:</i>				
At 1 August 2002	145,652	2,526	46,175	194,353
Additions	8,568	51	2,337	10,956
Disposals	(314)	-	(158)	(472)
<b>At 31 July 2003</b>	<b>153,906</b>	<b>2,577</b>	<b>48,354</b>	<b>204,837</b>
<i>Accumulated depreciation:</i>				
At 1 August 2002	37,557	841	38,200	76,598
Charge for the year	2,751	182	3,217	6,150
Eliminated on disposal	(112)	-	(119)	(231)
<b>At 31 July 2003</b>	<b>40,196</b>	<b>1,023</b>	<b>41,298</b>	<b>82,517</b>
<i>Net book value:</i>				
<b>At 31 July 2003</b>	<b>113,710</b>	<b>1,554</b>	<b>7,056</b>	<b>122,320</b>
At 31 July 2002	108,095	1,685	7,975	117,755



## Notes

### (continued)

#### 12 Tangible assets (continued)

	Freehold land and buildings £000	University Furniture and equipment £000	Total £000
<i>Cost or valuation:</i>			
At 1 August 2002	142,949	43,494	186,443
Additions	8,394	2,069	10,463
<b>At 31 July 2003</b>	<b>151,343</b>	<b>45,563</b>	<b>196,906</b>
<i>Accumulated depreciation:</i>			
At 1 August 2002	36,632	36,151	72,783
Charge for the year	2,572	2,952	5,524
<b>At 31 July 2003</b>	<b>39,204</b>	<b>39,103</b>	<b>78,307</b>
<i>Net book value:</i>			
<b>At 31 July 2003</b>	<b>112,139</b>	<b>6,460</b>	<b>118,599</b>
At 31 July 2002	106,317	7,343	113,660

Freehold land with a book value of £9,692,000 (2002: £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 a lease agreement for the majority of its student residences. The lease is for 33 years and at the conclusion of the lease the properties will revert to the university. This reversionary interest is included within fixed assets at valuation. Post year-end the university has entered into a second lease agreement for additional student residences. As a result, the university has transferred the associated costs incurred to date of £452,000 from fixed assets into current assets at the year-end as these costs will be reimbursed by the lessor under the terms of the agreement.

Land and buildings with a net book value of £10,667,000 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.

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

## Notes

(continued)

### 13 Investments

	Other investments £000	Listed investments £000	Group Loans £000	Participating Interests £000	Total £000
<i>Cost:</i>					
At 1 August 2002	58	34	250	-	342
Additions	-	-	-	253	253
<b>At 31 July 2003</b>	<b>58</b>	<b>34</b>	<b>250</b>	<b>253</b>	<b>595</b>

	Shares in group undertakings £000	Other investments £000	Listed investments £000	Loans £000	Total £000
<i>Cost:</i>					
At 1 August 2002	847	-	34	250	1,131
Additions	255	-	-	400	655
Disposals	(7)	-	-	-	(7)
<b>At 31 July 2003</b>	<b>1,095</b>	<b>-</b>	<b>34</b>	<b>650</b>	<b>1,779</b>

The university owns the total issued share capital of 2 ordinary shares of £1 in Nottingham Trent Enterprises Limited, 150,000 ordinary shares of £1 in Nottingham Consultants Limited, 945,000 ordinary shares of £1 in Nottingham Law School Limited and 2 ordinary shares of £1 in Nottingham Trent Residences 1 PLC, all companies being registered in Great Britain and incorporated in England and Wales. During the year the university dissolved and disposed of its shareholding of 2,000 ordinary shares of £1 in N.T.U. Accommodation Services Limited and 5,000 ordinary shares of £1 in NTU Power Services Limited. 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 12 above. The joint venture has a year-end of 31 March.

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

	2003 £000
Gross assets	805
Gross liabilities	(552)
<b>Net assets</b>	<b>253</b>

## Notes

### (continued)

#### 14 Stock and stores in hand

	<b>Group</b> <b>2003</b> <b>£000</b>	<b>University</b> <b>2003</b> <b>£000</b>	<b>Group</b> <b>2002</b> <b>£000</b>	<b>University</b> <b>2002</b> <b>£000</b>
Consumables	405	405	376	376
Goods for resale	239	66	296	63
	<u>644</u>	<u>471</u>	<u>672</u>	<u>439</u>

#### 15 Debtors: amounts falling due within one year

	<b>Group</b> <b>2003</b> <b>£000</b>	<b>University</b> <b>2003</b> <b>£000</b>	<b>Group</b> <b>2002</b> <b>£000</b>	<b>University</b> <b>2002</b> <b>£000</b>
Trade debtors	3,312	2,078	4,180	2,931
Other debtors	456	452	93	74
Amounts owed by subsidiary undertakings	-	5,607	-	5,429
Loan to Union of Students	-	172	-	172
Prepayments and accrued income	1,976	1,760	2,172	2,006
VAT recoverable	627	-	772	-
	<u>6,371</u>	<u>10,069</u>	<u>7,217</u>	<u>10,612</u>

Interest is receivable on the unsecured loans to subsidiary undertakings at prevailing rates of interest and the loans are repayable on demand. Debtors include £452,000 of assets held for re-sale, which have been transferred from fixed assets (refer to note 13) at the year-end. These assets relate to costs incurred to date on student residencies for which the university has entered into a lease agreement post year-end, which will result in the costs incurred to date being reimbursed by the lessor.

#### 16 Debtors: amounts falling due after more than one year

	<b>Group</b> <b>2003</b> <b>£000</b>	<b>University</b> <b>2003</b> <b>£000</b>	<b>Group</b> <b>2002</b> <b>£000</b>	<b>University</b> <b>2002</b> <b>£000</b>
Amounts owed by subsidiary undertakings (note 15)	-	1,674	-	2,183
	<u>-</u>	<u>1,674</u>	<u>-</u>	<u>2,183</u>

## Notes

### (continued)

#### 17 Creditors: amounts falling due within one year

	Group 2003 £000	University 2003 £000	Group 2002 £000	University 2002 £000
Loans from LEAs	511	511	483	483
Bank loan	45	-	90	-
Bank overdraft	8	-	-	-
General creditors	1,972	1,760	1,321	1,102
Amounts owed to subsidiary undertakings	-	198	-	204
Other creditors including tax and social security	3,053	3,022	2,708	2,672
Funding councils holdback	377	377	1,363	1,363
Accruals and deferred income	7,153	6,630	7,450	6,674
	<b>13,119</b>	<b>12,498</b>	<b>13,415</b>	<b>12,498</b>

Accruals and deferred income includes £1,018,000 (2002: £1,137,000) of HEFCE grant for special education initiatives and £470,000 (2002: £nil) of HEFCE research allocations.

A bank loan for Nottingham Law School Limited is unsecured and is repayable by instalments over a 10 year period. Interest is charged on the outstanding balance at prevailing market rates.

#### 18 Creditors: amounts falling due after more than one year

	Group 2003 £000	University 2003 £000	Group 2002 £000	University 2002 £000
Loans from LEAs				
Repayable between one and five years	2,044	2,044	1,932	1,932
Repayable in six years or more	7,214	7,214	7,838	7,838
	<b>9,258</b>	<b>9,258</b>	<b>9,770</b>	<b>9,770</b>
Bank loan	4,628	4,628	4,884	4,839
Amounts owed to subsidiary undertakings	-	365	-	529
	<b>13,886</b>	<b>14,251</b>	<b>14,654</b>	<b>15,138</b>

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

# Notes

## (continued)

### 19 Provisions for liabilities and charges

	Group and University		
	Restruct- uring £000	Pensions £000	Total £000
At 1 August 2002	3,681	7,304	10,985
Charge for the year	955	1,247	2,202
	<hr/>	<hr/>	<hr/>
Utilised in year	4,636 (245)	8,551 (644)	13,187 (889)
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2003</b>	<b>4,391</b>	<b>7,907</b>	<b>12,298</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The restructuring provision relates to a staff reprofiling exercise. Refer to note 31 for an explanation of the nature of the pensions provision.

### 20 Deferred capital grants

	Group and University		
	Funding councils £000	Other grants £000	Total £000
At 1 August 2002			
Buildings	8,720	3,369	12,089
Equipment	284	24	308
	<hr/>	<hr/>	<hr/>
Total	9,004	3,393	12,397
	<hr/>	<hr/>	<hr/>
Cash received			
Buildings	2,176	63	2,239
Equipment	26	-	26
	<hr/>	<hr/>	<hr/>
Total	2,202	63	2,265
	<hr/>	<hr/>	<hr/>
Released to income and expenditure account			
Buildings (notes 1 and 4)	229	76	305
Equipment (notes 1 and 4)	34	6	40
	<hr/>	<hr/>	<hr/>
Total	263	82	345
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2003</b>			
<b>Buildings</b>	<b>10,667</b>	<b>3,356</b>	<b>14,023</b>
<b>Equipment</b>	<b>276</b>	<b>18</b>	<b>294</b>
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>10,943</b>	<b>3,374</b>	<b>14,317</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes

### (continued)

#### 21 Revaluation reserve

	<b>Group 2003 £000</b>	<b>University 2003 £000</b>	<b>Group 2002 £000</b>	<b>University 2002 £000</b>
<i>Revaluations</i>				
At 1 August	78,515	79,895	90,538	91,918
Revaluation in year	-	-	145	145
Eliminated on disposals	-	-	(12,168)	(12,168)
At 31 July	78,515	79,895	78,515	79,895
<i>Contributions to depreciation</i>				
At 1 August	23,536	23,536	22,703	22,703
Released in year	1,432	1,432	1,354	1,354
Less: reimbursed by HEFCE	(484)	(484)	(521)	(521)
At 31 July	24,484	24,484	23,536	23,536
<i>Net revaluation amount</i>				
<b>At 31 July 2003</b>	<b>54,031</b>	<b>55,411</b>	<b>54,979</b>	<b>56,359</b>

#### 22 Capital reserve

	<b>Group 2003 £000</b>	<b>University 2003 £000</b>	<b>Group 2002 £000</b>	<b>University 2002 £000</b>
At 1 August 2002 and 31 July 2003	60	-	60	-

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

## Notes

### (continued)

#### 23 Consolidated income and expenditure account

The group income and expenditure account of £50,410,000 (2002: £49,503,000) includes funds which are earmarked for specific purposes as follows:

	2003 £000	2002 £000
Uncommitted contingency reserve	6,000	6,000
Depreciation	18,106	19,056
Departmental and specific projects	11,252	9,395
Developmental reserve	15,052	15,052
	<b>50,410</b>	<b>49,503</b>

The Developmental Reserve arose from the surpluses on the disposal of Clifton Hall and the discontinued operations (see Note 10) and after reinstating the uncommitted contingency reserve to £6m.

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

	2003 £000	2002 £000
(Deficit)/surplus after depreciation of assets at valuation and after tax	(525)	5,253
Release of capital grant (note 20)	(345)	(692)
Depreciation (note 12)	6,150	5,897
Decrease/(increase) in stock	28	(78)
Decrease in debtors	805	1,802
Decrease in creditors	(624)	(401)
Increase in provisions	1,313	1,152
Interest payable	1,049	2,224
Interest receivable	(1,195)	(972)
Share of loss in joint venture	147	-
Net cash inflow from operating activities	<b>6,803</b>	<b>14,185</b>

#### 25 Returns on investments and servicing of finance

	2003 £000	2002 £000
Income from short term investments	1,232	889
Other interest received	4	24
Interest paid	(1,002)	(2,324)
HEFCE debt reimbursement	805	901
	<b>1,039</b>	<b>(510)</b>

## Notes

### (continued)

#### 26 Capital expenditure and financial investment

	2003 £000	2002 £000
Tangible assets acquired (other than leased equipment)	(11,230)	(9,934)
Receipts from sale of tangible assets	-	39,679
Deferred capital grants received (note 20)	2,265	3,119
(Purchase)/sale of investments	(400)	563
	<u>(9,365)</u>	<u>33,427</u>

#### 27 Management of Liquid Resources

	2003 £000	2002 £000
Withdrawals from/(placing of) deposits	<u>1,750</u>	<u>(18,000)</u>

#### 28 Financing

	2003 £000	2002 £000
Repayment of amounts borrowed	(785)	(29,663)
Amounts reimbursed by HEFCE	484	521
<b>Net cash outflow</b>	<u>(301)</u>	<u>(29,142)</u>

#### 29 Analysis of changes in net funds/(debt)

	At 1 August 2002 £000	Cash flows £000	Other Changes £000	At 31 July 2003 £000
Cash at bank and in hand	1,007	(66)	-	941
Bank overdraft	-	(8)	-	(8)
	<u>1,007</u>	<u>(74)</u>	<u>-</u>	<u>933</u>
Short term deposits	29,000	(1,750)	-	27,250
Debt due within one year	(573)	62	(45)	(556)
Debt due after one year	(14,654)	211	557	(13,886)
	<u>14,780</u>	<u>(1,551)</u>	<u>512</u>	<u>13,741</u>



# Notes

## (continued)

### 30 Major non-cash transactions

During the year the university made a provision of £1,247,000 (2002: £1,992,000) for future pension costs and £955,000 (2002: £967,000) for exceptional restructuring costs – see note 19.

### 31 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 11.6% to 31 March 2003 and 12.7% thereafter. A valuation by the Fund's actuary was carried at 31 March 2001 and the fund position is detailed below:

#### NCCPF Fund position at last valuation

Latest actuarial valuation	31 March 2001
Valuation method	Projected unit
Value of assets	£1,440m
Funding level for accrued benefits	91.0%

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

## Notes

### (continued)

#### 31 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 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 July 2003	31 July 2002
Rate of increase in salaries	4.0%	4.0%
Rate of increase in pensions in payment	2.5%	2.5%
Discount rate	5.5%	6.0%
Inflation assumption	2.5%	2.5%

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

	Long term rate of return expected at 31 July 2003	Value at 31 July 2003 £000	Long term rate of return expected at 31 July 2002	Value at 31 July 2002 £000
Equities	7.5%	33,226	8.0%	34,254
Government bonds	4.7%	6,623	6.0%	10,245
Other bonds	5.5%	5,613	6.0%	-
Property	6.5%	7,072	7.0%	5,588
Other	3.75%	3,591	4.0%	1,656
		56,125		51,743

The following amounts at 31 July 2003 were measured in accordance with the requirements of FRS 17:

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

# Notes

## (continued)

### 31 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 2003 would be as follows:

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

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 2003:

	2003 £000	2002 £000
<i>Analysis of amounts charged to income and expenditure account:</i>		
Current service cost	2,753	2,665
Past service / curtailment cost	147	764
	<b>2,900</b>	<b>3,429</b>
<i>Financing:</i>		
- expected return on pension scheme assets	3,860	4,443
- interest on expected scheme liabilities	(4,559)	(4,178)
- net (cost)/return	(699)	265
<i>Analysis of amounts recognised in statement of total recognised gains and losses:</i>		
Expected return less actual return on pension scheme assets	(768)	(12,771)
Experience gains and losses arising on scheme liabilities	-	-
Changes in assumptions underlying the present value of scheme liabilities	(7,442)	-
<b>Total actuarial loss recognised</b>	<b>(8,210)</b>	<b>(12,771)</b>

## Notes

### (continued)

#### 31 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:

	2003 £000	2002 £000
Deficit on scheme at 1 August	(23,644)	(9,938)
Movement in year:		
- current service cost	(2,753)	(2,665)
- contributions	2,852	2,229
- past service / curtailment costs	(147)	(764)
- net (cost)/return on assets	(699)	265
- actuarial loss	(8,210)	(12,771)
<b>Deficit on scheme at 31 July</b>	<b>(32,601)</b>	<b>(23,644)</b>

The experience gains and losses for the year ended 31 July 2003 were as follows:

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

The pension charge for the year was £7,133,000 (2002: £5,200,000); 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% (2002: 3.5%) in excess of price inflation.

A provision of £1,247,000 (2002: £1,992,000) has been made in the 2003 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.

#### 32 Contingent liability

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

# Notes

## (continued)

### 32 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.

### 33 Commitments

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

	2003 £000	2002 £000
<i>Leases of buildings expiring:</i>		
In two to five years	449	615
In over five years	853	853
	<u>1,302</u>	<u>1,468</u>
	2003 £000	2002 £000
<i>Leases of plant and equipment expiring:</i>		
Within one year	98	271
In two to five years	419	517
After more than five years	-	2
	<u>517</u>	<u>790</u>

### 34 Related party transactions

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

### 35 Access funds

	2003 £000	2002 £000
Funding council grants	1,038	1,132
Interest earned	8	10
	<u>1,046</u>	<u>1,142</u>
Disbursements to students	(1,046)	(1,142)
<b>Balance unspent at 31 July</b>	<u>-</u>	<u>-</u>

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

## Notes

### (continued)

#### 36 Learner support funds

	2003 £000	2002 £000
Funding council grants	354	411
Disbursements to students	354 (354)	411 (411)
<b>Balance unspent at 31 July</b>	<b>-</b>	<b>-</b>

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

#### 37 Teacher Training Agency bursaries

	2003 £000	2002 £000
Funding council grants	1,315	1,112
Disbursements to students	1,315 (1,315)	1,112 (1,112)
<b>Balance unspent at 31 July</b>	<b>-</b>	<b>-</b>

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.

# Acknowledgement

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