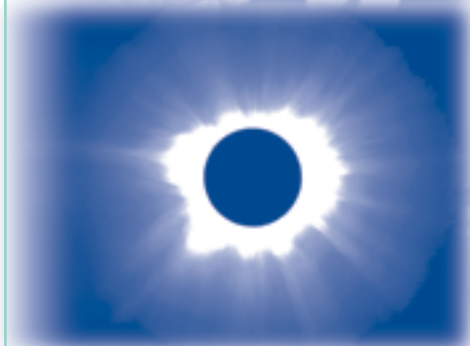


The Nottingham Trent University



financial
report



2002

governors' report and financial statements
for the year ended 31 July 2002

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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 rôles 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.
- NTU Accommodation Services Limited (not now trading) and Nottingham Trent Residences 1 PLC provide management services to the former Business Expansion Scheme (BES) property.
- The Nottingham Trent University Charitable Trust is an unincorporated body and provides library buildings for academic use.
- NTU Power Services Limited purchased gas, electricity and water on behalf of the university but is no longer trading.
- NTU Energy, Employment and Estates Services Limited provided staff to the university on a contractual basis but is no longer trading.

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.

REVIEW OF OPERATIONS AND FINANCES

A historical cost surplus of £18.775m is shown in the Income & Expenditure Account. This highly favourable outturn, summarised in the table below, reflects the significant financial benefits from the residences outsourcing arrangement, details of which are given in Note 10 on page 21. The table also incorporates the profit on the sale of Clifton Hall. Exceptional costs have also been incurred this year, for example the balance of the costs relating to the academic restructuring exercise, which commenced in 2000/01, were incurred in the year and an additional contribution of £1.339m to the Pension Provision has been necessary following adoption of the latest Actuarial Factor tables issued by the Learning and Skills Council (LSC). The net effect of these one-off transactions is that the university's uncommitted reserves are significantly strengthened and provide a firm foundation for future developments.

The university is considering future strategic options and an important objective is to generate alternative sources of income and to enhance the level of contribution from all forms of commercial income. Taken together with the ability of the university to maintain its core income from students, it is envisaged that this broader income base will strengthen the university's recurrent financial position.

Governors' Report (continued)

REVIEW OF OPERATIONS AND FINANCES (CONTINUED)

The summary position is shown below:-

	2002 £m	2001 £m	Increase/ (Decrease) %
Income	114.4	113.0	1.2
Expenditure	117.1	119.0	(1.6)
Historical Cost Surplus/(Deficit) on continuing operations before Exceptional Restructuring and Pension Costs and Disposals	0.0	(0.2)	100.0
Exceptional Restructuring and Pension Costs	2.3	4.1	(43.9)
Surpluses on Disposals			
Outsourcing of student residences	20.2	-	-
Sale of Clifton Hall	0.9	-	-
Historical Cost Surplus/(Deficit) after Exceptional items and Surpluses on Disposals	18.8	(4.3)	537.2
Accumulated Historical Cost Surplus	49.5	30.7	61.2
Net Assets	116.9	108.6	7.6

TREASURY MANAGEMENT

The Consolidated Cash Flow Statement shows that there was a decrease in cash of £40,000 following the placing of £18m into short-term money market investments. The university has again invested significantly in its infrastructure, with total capital spend of £10.8m on buildings and furniture and equipment.

As regards payment of creditors, the university supports the various initiatives to ensure prompt payment of invoices from suppliers, particularly small and medium-sized enterprises. Subject to any other agreed contractual conditions, it will normally make payment within 30 days following the date of the invoice.

ESTATE AND CAPITAL DEVELOPMENTS

The largest single capital project undertaken by the university was completed during the year, when eight halls of residence, comprising 2,326 bed spaces, were transferred to Jarvis UPP Nottingham Ltd. This groundbreaking deal, the largest estate transfer in the history of the sector, provided Jarvis UPP Nottingham Ltd with a 33-year leasehold interest in the halls of residence and entails their managing and operating them in close co-operation with the university. As well as ensuring that students continue to enjoy high quality, affordable accommodation, the deal reduces the university's long-term risk of fluctuations in demand, reduces the long-term maintenance cost liability and releases the capital tied up in the buildings to strengthen the reserves and provide opportunities for further investment.

Governors' Report (continued)

ESTATE AND CAPITAL DEVELOPMENTS (CONTINUED)

Three new significant capital projects commenced during the year:

- Biomedical Centre – this block, costing £2.1m, will provide state-of-art research facilities and reflects the interdisciplinary nature of much of the teaching and research now underway in the Faculty of Science and Land-based Studies. The new facilities will bring enormous benefits for staff, postgraduate and undergraduate students. The development has been part funded (£1.2m) under the Science Research Investment Fund (SRIF) scheme;
- new teaching block at Brackenhurst – a major priority has been to address the accommodation shortcomings at Brackenhurst. This facility will provide teaching rooms and laboratories, as well as office space, and will be opened in the new academic year. The block is costing £2.82m, of which £1.71m is funded by the HEFCE;
- Toyota Training Centre - this purpose-built training centre on the Clifton campus is a joint venture with Toyota and will provide national support for the Lexus franchise in management, operational and technical training – making it the principal Lexus brand training facility in the UK. The building will be further developed to enhance and expand further the university's entrepreneurial activities.

Schemes completed this year include

- a unique collaboration with a property developer which has led to the opening, on university land, of the 161-bed Nottingham City Centre Travel Inn Metro. The hotel will provide conveniently located short-stay accommodation for students and staff on weekend/short courses, a gymnasium and has created at least 75 jobs, in which student employment will factor heavily;
- a new lecture theatre on the Clifton Campus, boasting the latest in teaching technology, with hi-tech professional audio-visual and IT facilities;
- following the completion of the new Education block in 2000/01, the disposal of the Grade 1 listed Clifton Hall, which formerly housed the Primary Education Department. The Hall is to be given a new lease of life – the new owner is seeking planning permission to convert the Hall into luxury apartments.

FUTURE DEVELOPMENTS

The university has again witnessed excellent outcomes in various published league tables, with significant upward progress being recorded. In addition to the consistent high graduate employment rate, the excellent performance in the 2001 Research Assessment Exercise and "excellent" grades in 10 out of the last 11 QAA reviews are producing higher scores within the league tables. This emphasises the importance of maintaining the quality agenda.

Notwithstanding these successes, the Board of Governors is undertaking strategic reviews to examine the possibilities of increasing non-public income streams, thereby reducing the dependence on core funding, which in turn should afford increased opportunities for entrepreneurial initiatives against the background of the financial stability afforded by the student residences outsourcing project. These options will be wide-ranging and will seek to develop the skills and quality of staff and courses and the reputation, both in the UK and overseas, of the university.

The university is spearheading far-reaching plans to create the UK's largest biomedical innovation centre in premises being donated (by BASF), believed to be the largest corporate donation ever granted to a new university. The aim is to develop an impressive scientific facility of international standing, with around 100 fully equipped laboratories, meeting rooms, substantial office space, lecture theatre, an information resource centre and video conferencing facilities. The vision for the centre is to provide not only for start-up firms seeking incubator space but also for mature research and development companies in need of high-specification facilities. At the same time it will 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.

CONCLUSION

The substantial surplus arising from the student residences outsourcing deal has created a very healthy Income and Expenditure Account balance and a strong Balance Sheet. Mindful of the many financial pressures and policy changes within the higher education sector, the Board of Governors has agreed that these proceeds will not be used for recurrent purposes. Given this financial strength, the university is confident that it is well placed to meet future challenges and will continue to be an increasingly important player within the higher education sector.

Governors' Report (continued)

MEMBERSHIP

The members of the Board during the year to 31 July 2002, unless otherwise indicated, were:

Independent members

Mr J Peace, Chairman
Professor A P Forster, Deputy Chairman
Mr P Bowden
Mr R Bullock
Ms M - L Clayton - resigned 16 July 2002
Mr M J Cooper
Ms W J Gordon - resigned 21 May 2002
Mr R W Ruse
Mr J J H Watson

Educationalist member

Mrs M Puckey

Academic board member

Dr N A A Macfarlane

Student nominee

Mr M Nunn

General staff member

Mrs M E Martin - resigned 20 June 2002
Mr C A France - appointed 21 June 2002

Local authority nominees

City Councillor G Chapman
County Councillor R Needham

Vice-Chancellor

Professor R Cowell DL

Deputy Vice-Chancellor

Professor K C Short - deceased 20 July 2002

Director of Finance

Mr D E Morgan

Mr J Peace
Chairman

Prof R Cowell
Vice-Chancellor

9 December 2002

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 rôles of Chairman and Deputy Chairman of the Board are separated from the rôle 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 four-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. The Board of Governors has those procedures in place from August 2002 that are necessary to provide a full statement on internal control for the whole of the financial year 2002-03. 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 undertaken the following actions to initiate its risk management strategy:
 - a. Drafted and adopted a risk management policy.
 - b. Commissioned and adopted a risk management strategy.
 - c. Agreed where the principal management responsibility rests for risk management.
 - d. Held a risk management workshop during which the Executive Board identified the university's principal university-wide risks, and assigned each of the significant risks to a senior manager.
 - e. Identified a group to act as a risk committee to oversee risk management. This role is undertaken by the Planning Working Group – a sub-group of the Executive Board.
 - f. Requested the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management.
 - g. Requested that the Head of Internal Audit adapt audit planning arrangements and the methodology and approach of the auditors, so that the unit conforms to the latest professional standards reflecting the adoption of risk management.
 - h. Established a central risk register.
5. The Board of Governors has ensured that its meeting calendar and agenda enable risk management and internal control to be considered on a regular basis during the year so that there will be a full risk and control assessment before reporting on the year ending 31 July 2003. The Board of Governors will be aided in this role by the Finance & General Purposes Committee – a key standing committee of the Board. Risk management has been incorporated more fully into the corporate planning and decision-making processes of the university.
6. The Board of Governors receives periodic reports from the chairman of the Audit Committee concerning internal control, and the Board requires principal budget holders to make regular reports to the Risk Coordinator for inclusion in the central risk register on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
7. Following the initial publication of the university's risk framework, further work has been done to widen the basis of the framework and to bring about more consistency in the way in which the university treats risks.
8. In addition to the actions mentioned above, in the coming year the university plans to:
 - a. Receive regular reports from principal budget holders on risk management in their faculty/central service.
 - b. Have regular discussions at Executive Board on risk management in order to maintain awareness of this key aspect of management and to share knowledge of risks.
 - c. Maintain, update and refine the central risk register.
 - d. Issue bulletins to principal budget holders giving examples of difficulties that have emerged at other universities and, where possible, indications of the contributory factors to such difficulties in order to help the university to learn from experience at other HEIs.
9. The university has an internal audit unit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in September 2000. The internal auditors submit regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Board of Governors' review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the university who have responsibility for the development and maintenance of the internal control framework, 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 have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 10 to 11.

RESPECTIVE RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL AND THE AUDITORS

The university's 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 income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memoranda with the Higher Education Funding Council for England and the Learning and Skills Council and with the Funding Agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the 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 have also, at the request of the university's Governors, reviewed whether the statement on page 7 reflects the university's compliance with the relevant provisions of the Combined Code specified for our review in so far as they apply to the higher education sector, and we report if it does not. We are not required to consider whether the statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the university's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Governors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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

OPINION

In our opinion:

- a. the financial statements give a true and fair view of the state of affairs of the university at 31 July 2002 and of the result and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- b. in all material aspects, income from the Higher Education Funding Council for England, the Learning and Skills Council and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the university have been applied for the purposes for which they were received;
- c. in all material aspects, income has been applied in accordance with the university's statutes and, where appropriate, with the financial memoranda with the Higher Education Funding Council for England and the Learning and Skills Council and the funding agreement with the Teacher Training Agency.

KPMG LLP

Chartered Accountants
Registered Auditor

9 December 2002

St Nicholas House
Park Row
NOTTINGHAM
NG1 6FQ

Statement of principal accounting policies

Statement of principal accounting policies (continued)

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 in 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, NTU Energy, Employment & Estates Services Limited, NTU Power Services Limited, N.T.U. Accommodation Services Limited, The Nottingham Trent University Charitable Trust, Nottingham Trent Residences 1 PLC and The Nottingham Trent University Union of Students. A separate income and expenditure account dealing with the results of the university has not been presented. The results of IC Routing Limited, an undertaking in which the university has a participating interest, have been excluded from the consolidation on the grounds that it is 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 Superannuation Scheme (NCCSS) 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

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange

ruling at the balance sheet date. Transactions in foreign currency are recorded at the date of the transaction and any exchange gain or loss is dealt with 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 independently 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

An updated 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. This plan will be regularly reviewed and will form the basis of the sums required in future years to meet the cost of these major maintenance items. 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, government securities and loan stock held as part of the university's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

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, NTU Power Services Limited, NTU Energy, Employment & Estates Services Limited, N.T.U. Accommodation Services 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, Nottingham Law School Limited, NTU Power Services Limited, NTU Energy, Employment & Estates Services Limited and N.T.U. Accommodation Services 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 year ended 31 July 2002

	Note	Continuing operations 2002 £000	Dis- continued operations 2002 £000	Total 2002 £000	Total 2001 £000
Income					
Funding council grants	1	56,628	-	56,628	59,138
Tuition fees and education contracts	2	33,537	-	33,537	29,029
Research grants and contracts	3	3,798	-	3,798	3,143
Other income	4	15,879	3,559	19,438	20,577
Endowment and investment income	5	972	-	972	1,095
Total income		110,814	3,559	114,373	112,982
Expenditure					
Staff costs	6	70,177	686	70,863	70,423
Exceptional restructuring costs	19	967	-	967	4,126
Exceptional pension costs		1,339	-	1,339	-
Other operating expenses	7	35,039	801	35,840	34,776
Depreciation	12	5,897	-	5,897	6,364
Interest payable	8	1,131	1,093	2,224	3,311
Total expenditure	9	114,550	2,580	117,130	119,000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation		(3,736)	979	(2,757)	(6,018)
Impairment of fixed assets		-	-	-	(2,112)
Surplus on disposal of discontinued operations	10	-	8,010	8,010	-
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax	11	(3,736)	8,989	5,253	(8,130)

Income and expenditure account

	Continuing operations 2002 £000	Dis- continued operations 2002 £000	Total 2002 £000	Total 2001 £000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax	(3,736)	8,989	5,253	(8,130)
Release from revaluation reserve	2,279	11,243	13,522	3,788
Historical cost surplus/(deficit) after tax	(1,457)	20,232	18,775	(4,342)
Balance at 31 July 2001	30,728	-	30,728	35,070
Balance at 31 July 2002	29,271	20,232	49,503	30,728

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

Statement of total recognised gains and losses for year ended 31 July 2002

	2002 £000	2001 £000
Surplus/(deficit) after depreciation of assets at valuation and tax	5,253	(8,130)
HEFCE reimbursement of principal element of debt charges	521	541
Total recognised gains/(losses) relating to the year	5,774	(7,589)

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

	2002 £000	2001 £000
Surplus/(deficit) after depreciation of assets at valuation and tax	5,253	(8,130)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,354	1,676
Realisation of revalued amounts on impaired assets	925	2,112
Realisation of revalued amounts on sold assets	11,243	-
Historical cost surplus/(deficit) after tax	18,775	(4,342)

Consolidated balance sheet as at 31 July 2002

	Note	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
Fixed assets					
Tangible assets	12	117,755	113,660	153,059	150,749
Investments	13	342	1,131	935	1,494
		<u>118,097</u>	<u>114,791</u>	<u>153,994</u>	<u>152,243</u>
Current assets					
Stock and stores in hand	14	672	439	594	395
Debtors: due within one year	15	7,217	10,612	8,944	10,992
Debtors: due after one year	16	-	2,183	16	2,649
		<u>7,217</u>	<u>12,795</u>	<u>8,960</u>	<u>13,641</u>
Short term deposits		29,000	29,028	11,000	10,498
Cash at bank and in hand		1,007	621	1,345	598
		<u>37,896</u>	<u>42,883</u>	<u>21,899</u>	<u>25,132</u>
Creditors: amounts falling due within one year	17	<u>(13,415)</u>	<u>(12,498)</u>	<u>(13,207)</u>	<u>(12,126)</u>
Net current assets		<u>24,481</u>	<u>30,385</u>	<u>8,692</u>	<u>13,006</u>
Total assets less current liabilities		<u>142,578</u>	<u>145,176</u>	<u>162,686</u>	<u>165,249</u>
Creditors: amounts falling due after more than one year	18	<u>(14,654)</u>	<u>(15,138)</u>	<u>(44,260)</u>	<u>(45,003)</u>
Provisions for liabilities and charges	19	<u>(10,985)</u>	<u>(10,985)</u>	<u>(9,833)</u>	<u>(9,833)</u>
Net assets		<u>116,939</u>	<u>119,053</u>	<u>108,593</u>	<u>110,413</u>
Represented by:					
Deferred capital grants	20	<u>12,397</u>	<u>12,397</u>	<u>9,970</u>	<u>9,970</u>
Reserves					
Revaluation reserve	21	54,979	56,359	67,835	69,215
Capital reserve	22	60	-	60	-
Income and expenditure account	23	49,503	50,297	30,728	31,228
		<u>104,542</u>	<u>106,656</u>	<u>98,623</u>	<u>100,443</u>
Total reserves		<u>104,542</u>	<u>106,656</u>	<u>98,623</u>	<u>100,443</u>
Total funds		<u>116,939</u>	<u>119,053</u>	<u>108,593</u>	<u>110,413</u>

The financial statements on pages 10 to 36 were approved by the Board of Governors on 9 December 2002 and signed on its behalf by:

Mr J Peace
Chairman

Prof R Cowell
Vice Chancellor

Consolidated cash flow for year ended 31 July 2002

	Note	2002 £000	2001 £000
Net cash inflow from operating activities	24	14,185	4,726
Returns on investments and servicing of finance	25	(510)	(2,233)
Capital expenditure and financial investment	26	33,427	(6,190)
Cash inflow/(outflow) before management of liquid resources and Financing		<u>47,102</u>	<u>(3,697)</u>
Management of liquid resources	27	(18,000)	4,500
Financing	28	(29,142)	(461)
(Decrease)/increase in cash	29	<u>(40)</u>	<u>342</u>

Reconciliation of net cash flow to movement in net funds/(debt) for year ended 31 July 2002

	2002 £000	2001 £000
(Decrease)/increase in cash in the period	(40)	342
Increase/(decrease) in short term deposits	18,000	(4,500)
New loan acquired	-	(4,750)
Repayment of debt	26,800	5,752
Movement in deferred interest provision	2,863	61
Change in net funds/(debt)	<u>47,623</u>	<u>(3,095)</u>
Net debt at 1 August	<u>(32,843)</u>	<u>(29,748)</u>
Net funds/(debt) at 31 July	<u>14,780</u>	<u>(32,843)</u>

Notes (forming part of the financial statements)

1 Funding council grants

	HEFCE £000	2002 LSC £000	TTA £000	Total £000	2001 Total £000
Recurrent grant	45,193	1,305	2,252	48,750	51,063
Specific grants					
Management development fund	15	-	-	15	34
Arts and Humanities Research Board	-	-	-	-	226
TTA Initiatives	-	-	398	398	57
PGCE	295	-	-	295	306
Reimbursement of debt charges	901	-	-	901	974
Research	2,600	-	-	2,600	3,048
Inherited liabilities – rents	358	-	-	358	358
Rewarding and developing staff	778	-	-	778	-
Hunter	-	-	-	-	757
Pathfinder initiative	-	-	-	-	25
Research initiative	390	-	-	390	381
Joint Information Systems Committee	2	-	-	2	39
Fund for the development of teaching and learning	534	-	-	534	131
Special learning difficulties and disabilities	51	-	-	51	52
LAN/MAN	826	-	-	826	169
Active community fund	53	-	-	53	-
Fee waivers	26	-	-	26	-
Foundation degrees	16	-	-	16	-
Procurement	-	-	-	-	14
Reachout	241	-	-	241	300
Mature bursaries	143	-	-	143	221
Summer Schools	38	-	-	38	20
Pricing and costing	-	-	-	-	12
Deferred capital grants released in year					
Buildings (note 20)	182	-	-	182	523
Equipment (note 20)	31	-	-	31	428
	<u>52,673</u>	<u>1,305</u>	<u>2,650</u>	<u>56,628</u>	<u>59,138</u>

2 Tuition Fees and Education Contracts

	2002 £000	2001 £000
Full-time students	14,590	13,580
Full-time students charged overseas fees	2,154	1,512
Part-time fees	1,128	997
Short course fees	15,665	12,940
	<u>33,537</u>	<u>29,029</u>

Notes (continued)

3 Research grants and contracts

	2002 £000	2001 £000
Research councils	812	676
UK based charities	670	203
European Commission	537	923
Other grants and contracts	1,779	1,341
	<u>3,798</u>	<u>3,143</u>

4 Other income

	Continuing operations 2002 £000	Dis- continued operations 2002 £000	Total 2002 £000	Continuing operations 2001 £000	Dis- Continued Operations 2001 £000	Total 2001 £000
Residences, catering and conferences	2,857	3,559	6,416	3,355	5,053	8,408
Other income generating activities	10,982	-	10,982	9,816	-	9,816
Released from deferred capital grants (note 20)	479	-	479	492	-	492
Other income	1,561	-	1,561	1,861	-	1,861
	<u>15,879</u>	<u>3,559</u>	<u>19,438</u>	<u>15,524</u>	<u>5,053</u>	<u>20,577</u>

5 Endowment and Investment Income

	2002 £000	2001 £000
Income from short term investments	948	1,055
Other interest receivable	24	40
	<u>972</u>	<u>1,095</u>

Notes (continued)

6 Staff costs

	Continuing operations 2002 £000	Dis- continued operations 2002 £000	Total 2002 £000	Continuing operations 2001 £000	Dis- continued operations 2001 £000	Total 2001 £000
<i>Employee costs:</i>						
Wages and salaries	60,482	643	61,125	59,562	1,069	60,631
Social security costs	4,523	15	4,538	4,574	22	4,596
Other pension costs	5,172	28	5,200	5,157	39	5,196
	<u>70,177</u>	<u>686</u>	<u>70,863</u>	<u>69,293</u>	<u>1,130</u>	<u>70,423</u>

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

	Continuing operations 2002 Number	Dis- continued operations 2002 Number	Total 2002 Number	Continuing operations 2001 Number	Dis- continued operations 2001 Number	Total 2001 Number
Teaching departments	1,030	-	1,030	1,058	-	1,058
Teaching support services	727	-	727	756	-	756
Other support services	35	-	35	50	-	50
Administration and central services	216	-	216	218	-	218
Premises	258	56	314	280	56	336
Other	25	-	25	30	-	30
	<u>2,291</u>	<u>56</u>	<u>2,347</u>	<u>2,392</u>	<u>56</u>	<u>2,448</u>

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.

	2002 £000	2001 £000
Emoluments of the Vice-Chancellor excluding pension contributions	161	154
Deferred performance related payment for year to 31 July 2000	-	11
	<u>161</u>	<u>165</u>
The university's pension contributions including contributions to the TPS	13	14

Notes (continued)

6 Staff costs (continued)

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

	Total 2002 £000	Total 2001 £000
£50,001 - £60,000	49	45
£60,001 - £70,000	25	20
£70,001 - £80,000	5	5
£80,001 - £90,000	4	1
£90,001 - £100,000	2	2

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 former senior post-holders/higher paid employees

	Total 2002 £000	Total 2001 £000
Compensation paid and payable to the former post-holders	-	107
Estimated value of other benefits, including provisions for pension benefits	-	181

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

Notes (continued)

7 Other operating expenses

	Continuing operations 2002 £000	Dis- continued operations 2002 £000	Total 2002 £000	Continuing operations 2001 £000	Dis- continued operations 2001 £000	Total 2001 £000
Consumables and laboratory expenses	8,019	25	8,044	7,551	29	7,580
Books and periodicals	1,484	-	1,484	1,477	-	1,477
Heat, light, water and power	1,512	356	1,868	1,360	453	1,813
Repairs and general maintenance	2,644	337	2,981	2,585	358	2,943
Rents and accommodation hire	2,010	-	2,010	2,126	-	2,126
Food and catering costs	748	-	748	792	-	792
Auditors' remuneration	66	-	66	35	-	35
Auditors' remuneration in respect of non-audit services	32	-	32	40	-	40
Equipment operating lease rentals	619	-	619	563	-	563
Course costs, professional and consultancy fees	8,658	-	8,658	6,972	-	6,972
Transport, travel and subsistence	2,116	1	2,117	2,259	1	2,260
Advertising, marketing, telephone and postage	2,219	80	2,299	2,312	41	2,353
Franchising	1,249	-	1,249	1,753	-	1,753
Rates	275	-	275	355	-	355
Insurance	310	-	310	280	-	280
Staff development and agency costs	927	-	927	1,082	8	1,090
Other expenses	2,151	2	2,153	2,343	1	2,344
	<u>35,039</u>	<u>801</u>	<u>35,840</u>	<u>33,885</u>	<u>891</u>	<u>34,776</u>

8 Interest payable

	Continuing Operations 2002 £000	Dis- continued operations 2002 £000	Total 2002 £000	Continuing operations 2001 £000	Dis- Continued Operations 2001 £000	Total 2001 £000
Bank and other loans wholly repayable within five years	3	-	3	7	-	7
Loans not wholly repayable within five years	901	-	901	974	-	974
Finance leases	227	1,093	1,320	316	2,014	2,330
	<u>1,131</u>	<u>1,093</u>	<u>2,224</u>	<u>1,297</u>	<u>2,014</u>	<u>3,311</u>

Notes (continued)

9 Analysis of expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	51,993	982	16,503	-	69,478
Academic services	6,192	1,117	4,528	228	12,065
Research grants and contracts	1,782	-	1,495	-	3,277
Residences, catering and conferences	1,687	109	2,175	1,093	5,064
Premises	4,094	2,330	5,641	903	12,968
Administration	5,918	1,103	4,222	-	11,243
Other expenses	1,503	256	1,276	-	3,035
Total per income and expenditure account	<u>73,169</u>	<u>5,897</u>	<u>35,840</u>	<u>2,224</u>	<u>117,130</u>

£000

The depreciation has been funded by:
Deferred capital grants released (note 20)
Revaluation reserve released (note 21)
General income

692
1,354
3,851
<u>5,897</u>

10 Surplus on disposals of discontinued operations

	2002 £000	2001 £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)	-
	<u>8,010</u>	<u>-</u>
Release from revaluation reserve	11,243	-
	<u>19,253</u>	<u>-</u>

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:

	2002 £000	2001 £000
University deficit for the period	(4,656)	(8,223)
Surplus generated by subsidiary undertakings and transferred to the university under a gift aid payment	920	93
	<u>(3,736)</u>	<u>(8,130)</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 2001	180,384	1,937	44,531	226,852
Additions	7,623	589	2,546	10,758
Disposals	(42,355)	-	(902)	(43,257)
At 31 July 2002	145,652	2,526	46,175	194,353
<i>Accumulated depreciation:</i>				
At 1 August 2001	37,528	665	35,600	73,793
Charge for the year	2,521	176	3,200	5,897
Eliminated on disposal	(2,492)	-	(600)	(3,092)
At 31 July 2002	37,557	841	38,200	76,598
<i>Net book value:</i>				
At 31 July 2002	108,095	1,685	7,975	117,755
At 31 July 2001	142,856	1,272	8,931	153,059

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 2001	179,158	41,577	220,735
Additions	5,777	2,390	8,167
Disposals	(41,986)	(473)	(42,459)
At 31 July 2002	142,949	43,494	186,443
<i>Accumulated depreciation:</i>			
At 1 August 2001	36,601	33,385	69,986
Charge for the year	2,338	2,927	5,265
Eliminated on disposal	(2,307)	(161)	(2,468)
At 31 July 2002	36,632	36,151	72,783
<i>Net book value:</i>			
At 31 July 2002	106,317	7,343	113,660
At 31 July 2001	142,557	8,192	150,749

Freehold land with a book value of £9,692,000 (2001: £13,265,000) (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.

Land and buildings with a net book value of £9,004,000 have been financed by exchequer funds.

During the year the university 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.

Notes (continued)

13 Investments

		Group			
	Other investments £000	Listed investments £000	Loans £000	Total £000	
Cost:					
At 1 August 2001	851	34	50	935	
Additions	15	-	200	215	
Disposals	(808)	-	-	(808)	
	<u>58</u>	<u>34</u>	<u>250</u>	<u>342</u>	
At 31 July 2002					

		University			
	Shares in group undertakings £000	Other investments £000	Listed investments £000	Loans £000	Total £000
Cost:					
At 1 August 2001	617	793	34	50	1,494
Additions	230	15	-	200	445
Disposals	-	(808)	-	-	(808)
	<u>847</u>	<u>-</u>	<u>34</u>	<u>250</u>	<u>1,131</u>
At 31 July 2002					

The university owns the total issued share capital of 2 ordinary shares of £1 in Nottingham Trent Enterprises Limited, 95,000 ordinary shares of £1 in Nottingham Consultants Limited, 745,000 ordinary shares of £1 in Nottingham Law School Limited, 2,000 ordinary shares in N.T.U. Accommodation Services Limited, 5,000 ordinary shares in NTU Power Services 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. The university also owns 19% of the issued share capital of IC Routing Limited. Listed investments represent investments listed on the London Stock Exchange.

14 Stock

	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
Consumables	376	376	448	354
Goods for resale	296	63	146	41
	672	439	594	395

Notes (continued)

15 Debtors: amounts falling due within one year

	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
Trade debtors	4,180	2,931	4,702	3,520
Income tax recoverable	-	-	170	170
Other debtors	93	74	88	-
Property for resale	-	-	925	925
Amounts owed by subsidiary undertakings	-	5,429	-	4,046
Loan to Union of Students	-	172	-	172
Prepayments and accrued income	2,172	2,006	2,641	2,159
VAT recoverable	772	-	418	-
	7,217	10,612	8,944	10,992

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

16 Debtors: amounts falling due after more than one year

	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
Other debtors	-	-	16	-
Amounts owed by subsidiary undertakings (note 15)	-	2,183	-	2,649
	-	2,183	16	2,649

17 Creditors: amounts falling due within one year

	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
Loans from LEAs	483	483	540	540
Bank loan	90	-	90	-
Bank overdraft	-	-	298	-
General creditors	1,321	1,102	1,540	1,439
Amounts owed to subsidiary undertakings	-	204	-	328
Other creditors including tax and social security	2,708	2,672	2,801	2,762
Funding councils holdback	1,363	1,363	-	-
Accruals and deferred income	7,450	6,674	7,938	7,057
	13,415	12,498	13,207	12,126

Accruals and deferred income includes £1,137,000 (2001: £679,000) of HEFCE grant for special education initiatives and £nil (2001: £112,000) of HEFCE research allocations.

Notes (continued)

18 Creditors: amounts falling due after more than one year

	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
Loans from LEAs				
Repayable between one and five years	1,932	1,932	2,160	2,160
Repayable in six years or more	7,838	7,838	8,094	8,094
	<u>9,770</u>	<u>9,770</u>	<u>10,254</u>	<u>10,254</u>
Bank loan	45	-	135	-
Finance leases and similar arrangements for building projects	4,839	4,839	33,871	34,190
Other creditors	-	529	-	559
	<u>14,654</u>	<u>15,138</u>	<u>44,260</u>	<u>45,003</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 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.

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.

Notes (continued)

19 Provisions for liabilities and charges

	Group and University		
	Restruct- uring £000	Pensions £000	Total £000
At 1 August 2001	3,942	5,891	9,833
Charge for the year	967	1,992	2,959
	<u>4,909</u>	<u>7,883</u>	<u>12,792</u>
Utilised in year	(1,228)	(579)	(1,807)
At 31 July 2002	3,681	7,304	10,985

20 Deferred capital grants

	Group and University		
	Funding councils £000	Other grants £000	Total £000
At 1 August 2001			
Buildings	6,275	3,665	9,940
Equipment	-	30	30
Total	6,275	3,695	9,970
Cash received			
Buildings	2,739	65	2,804
Equipment	315	-	315
Total	3,054	65	3,119
Released to income and expenditure account			
Buildings (notes 1 and 4)	182	473	655
Equipment (notes 1 and 4)	31	6	37
Total	213	479	692
At 31 July 2002	8,832	3,257	12,089
Buildings	284	24	308
Equipment	9,116	3,281	12,397

Notes (continued)

21 Revaluation reserve

	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
<i>Revaluations</i>				
At 1 August	90,538	91,918	92,913	94,293
Revaluation in year	145	145	-	-
Eliminated on impairment	-	-	(2,375)	(2,375)
Eliminated on disposals	(12,168)	(12,168)	-	-
At 31 July	78,515	79,895	90,538	91,918
<i>Contributions to depreciation</i>				
At 1 August	22,703	22,703	21,831	21,831
Eliminated on impairment	-	-	(263)	(263)
Released in year	1,354	1,354	1,676	1,676
Less: reimbursed by HEFCE	(521)	(521)	(541)	(541)
At 31 July	23,536	23,536	22,703	22,703
<i>Net revaluation amount</i>				
At 31 July 2002	54,979	56,359	67,835	69,215
At 31 July 2001	67,835	69,215	71,082	72,462

22 Capital reserve

	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
At 1 August 2001 and 31 July 2002	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 £49,503,000 (2001: £30,728,000) includes funds which are earmarked for specific purposes as follows:

	2002 £000	2001 £000
Uncommitted contingency reserve	6,000	874
Depreciation	19,056	20,103
Departmental and specific projects	9,395	9,751
Developmental reserve	15,052	-
	49,503	30,728

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

	2002 £000	2001 £000
Surplus/(deficit) after depreciation of assets at valuation and after tax	5,253	(8,130)
Release of capital grant (note 20)	(692)	(1,443)
Depreciation (note 12)	5,897	6,364
Impairment of fixed assets	-	2,112
Loss on disposal of fixed assets/investments	-	87
Increase in stock	(78)	(112)
Decrease/(increase) in debtors	1,802	(1,298)
(Decrease)/increase in creditors	(401)	475
Increase in provisions	1,152	4,455
Interest payable	2,224	3,311
Interest receivable	(972)	(1,095)
Net cash inflow from operating activities	14,185	4,726

25 Returns on investments and servicing of finance

	2002 £000	2001 £000
Income from short term investments	889	1,099
Other interest received	24	40
Interest paid	(2,324)	(4,346)
HEFCE debt reimbursement	901	974
	(510)	(2,233)

Notes (continued)

26 Capital expenditure and financial investment

	2002 £000	2001 £000
Tangible assets acquired (other than leased equipment)	(9,934)	(9,021)
Receipts from sale of tangible assets	39,679	-
Deferred capital grants received (note 20)	3,119	3,038
Sale/(purchase) of investments	563	(207)
	<u>33,427</u>	<u>(6,190)</u>

27 Management of Liquid Resources

	2002 £000	2001 £000
(Placing of)/withdrawals from deposits	<u>(18,000)</u>	<u>4,500</u>

28 Financing

	2002 £000	2001 £000
New loans	-	4,750
Repayment of amounts borrowed	(29,663)	(5,752)
Amounts reimbursed by HEFCE	521	541
Net cash outflow	<u>(29,142)</u>	<u>(461)</u>

29 Analysis of changes in net funds/(debt)

	At 1 August 2001 £000	Cash flows £000	Other Changes £000	At 31 July 2002 £000
Cash at bank and in hand	1,345	(338)	-	1,007
Bank overdraft	(298)	298	-	-
	<u>1,047</u>	<u>(40)</u>	<u>-</u>	<u>1,007</u>
Short term deposits	11,000	18,000	-	29,000
Debt due within one year	(630)	90	(33)	(573)
Debt due after one year	(44,260)	29,032	574	(14,654)
	<u>(32,843)</u>	<u>47,082</u>	<u>541</u>	<u>14,780</u>

Notes (continued)

30 Major non-cash transactions

During the year the university made a provision of £1,992,000 (2001: £925,000) for future pension costs and £967,000 (2001: £3,942,000) 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 Superannuation Scheme (NCCSS). 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. The result of the assessment carried out as at 31 March 2001 is still awaited when the rates below will be reviewed. Contributions are paid by the university at the rate specified by the Government Actuary and during this accounting period were equal to 7.4% to 31 March 2002 and 8.35% 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.

TPS Fund position at last valuation

Latest actuarial valuation	31 March 1996
Valuation method	Prospective benefits
Value of assets	*£38,369m
Funding level for accrued benefits	86.6%
Investment return per annum	8.5%
Salary scale increases per annum	6.5%
Pension increase per annum	5.0%

* The assets of the TPS are notional assets.

The DfES has announced that from the 2001 valuation the cost of the annual increase for TPS pensions would be included as part of calculating contributions to the scheme. The TPS is currently an unfunded scheme and this proposal will bring it more into line with the operation of privately funded schemes. Historically the cost has been borne directly by the Treasury but has now been transferred to the TPS. The Government has clearly stated in the Spending Review for education that an additional 4.75% is included to fund the increase and hence there should be no increase in public expenditure. As a result of this proposal the university's contribution rate to the fund would increase from 8.35% to 13.1% from 1 April 2003. However, as a result of changes to the scheme itself there are other, as yet undisclosed costs, expected to arise from the 2001 valuation that could raise the contribution to 14%.

Nottinghamshire County Council Superannuation Scheme

The NCCSS 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 9.6% to 31 March 2002 and 11.6% thereafter. A valuation by the Fund's actuary was carried at 31 March 2001 and the fund position is detailed overleaf:

Notes (continued)

31 Pension and similar obligations (continued)

NCCSS 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%

FRS 17 disclosures

The NCCSS is a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 July 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 July 2002	31 July 2001
Rate of increase in salaries	4.0%	4.0%
Rate of increase in pensions in payment	2.5%	2.5%
Discount rate	6.0%	6.0%
Inflation assumption	2.5%	2.5%

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 July 2002	Value at 31 July 2002 £000	Long term rate of return expected at 31 July 2001	Value at 31 July 2001 £000
Equities	8.0%	34,254	8.0%	41,452
Bonds	6.0%	10,245	6.0%	10,363
Property	7.0%	5,588	7.0%	5,947
Other	4.0%	1,656	4.0%	1,119
		<u>51,743</u>		<u>58,881</u>

The following amounts at 31 July 2002 were measured in accordance with the requirements of FRS 17:

	31 July 2002 £000	31 July 2001 £000
Total market value of assets	51,743	58,881
Present value of scheme liabilities	(75,387)	(68,819)
Deficit of the scheme - Net pension liability	(23,644)	(9,938)

Notes (continued)

31 Pension and similar obligations (continued)

If the above amounts had been recognised in the financial statements, the institution's net assets and general reserve at 31 July 2002 would be as follows:

	31 July 2002 £000	31 July 2001 £000
Net assets excluding pension liability	119,053	110,413
Pension liability	(23,644)	(9,938)
Net assets including pension liability	95,409	100,475
General reserve excluding pension liability	50,297	31,228
Pension liability	(23,644)	(9,938)
General reserve including pension liability	26,653	21,290

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 2002 (no comparators required):

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

Notes

(continued)

31 Pension and similar obligations (continued)

The total, the movement in the institution’s share of the scheme’s surplus/deficit during the year is made up as follows:

	£000
	2002
Deficit on scheme at 1 August 2001	(9,938)
Movement in year:	
- current service cost	(2,665)
- contributions	2,229
- past service / curtailment costs	(764)
- other finance income	265
- actuarial loss	(12,771)
Deficit on scheme at 31 July 2002	(23,644)

The experience gains and loses for the year ended 31 July 2002 were as follows:

<i>Difference between expected and actual return on scheme assets:</i>	
Amount (£000)	(12,771)
Percentage of scheme assets	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)	12,771
Percentage of the present value of the scheme liabilities	16.9%

The pension charge for the year was £5,200,000 (2001: £5,196,000); 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% (2001: 3.5%) in excess of price inflation.

A provision of £1,992,000 (2001: £925,000) has been made in the 2002 financial statements for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the university of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

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

Notes

(continued)

31 Pension and similar obligations (continued)

Decisions by the European Court of Justice (ECJ) may increase the liability for pension provision of UK employers in respect of part-time employees who opt to become members of the schemes. The implications of the ECJ decisions are, however, unclear and clarification is now awaited from the UK courts. In view of this uncertainty, the university has not made any provision in relation to this matter.

32 Commitments

The group has entered into capital commitments totalling £0.6 million. These contracts were not in progress at the end of this accounting period and no payments had been made.

The university has concluded a £27 million loan facility in order to refinance existing loans on student residences and academic support buildings. At the end of the year £19.75 million had been drawn down.

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

	2002 £000	2001 £000
<i>Leases of buildings expiring:</i>		
In two to five years	615	1,052
In over five years	853	830
	1,468	1,882
	2002 £000	2001 £000
<i>Leases of plant and equipment expiring:</i>		
Within one year	271	94
In two to five years	517	468
After more than five years	2	-
	790	562

33 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.

Notes (continued)

34 Access funds

	2002 £000	2001 £000
Funding council grants	1,132	1,014
Interest earned	10	13
	<u>1,142</u>	<u>1,027</u>
Disbursements to students	(1,142)	(1,027)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July	<u><u>-</u></u>	<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.

35 Learner support funds

	2002 £000	2001 £000
Funding council grants	242	216
	<u>242</u>	<u>216</u>
Disbursements to students	(242)	(216)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July	<u><u>-</u></u>	<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.

36 Teacher Training Agency bursaries

	2002 £000	2001 £000
Funding council grants	1,112	966
	<u>1,112</u>	<u>966</u>
Disbursements to students	(1,112)	(966)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July	<u><u>-</u></u>	<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.

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