

# Financial Report

# **2008**

# Contents

Governors' report	1
Responsibilities of the Board of Governors	6
Independent auditors' report to the Board of Governors of Nottingham Trent University	7
Statement of principal accounting policies	8
Consolidated income and expenditure account	10
Consolidated statement of historical cost surpluses and deficits	10
Consolidated statement of total recognised gains and losses	11
Balance sheets	12
Consolidated cash flow statement	14
Reconciliation of net cash flow to movement in net funds	14
Note	15

# Governors' report

## Competitive and regulatory environment

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

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

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

All subsidiaries covenant 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.

## Strategic Plan

The University's Strategic Plan addresses a framework for 2004-2010. Our Mission is to deliver education and research that shape lives and society. Our aims are:

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

Our key stakeholders are our customers and the society in which we live and work - regionally, nationally and globally. We will meet society's changing needs by ensuring that the courses we offer and the research that we undertake is relevant to modern world issues. As a community, we will do all we can to nurture the kind of graduates who will not only make a contribution to society through their work, but will also make a positive impact on society as active global citizens.

Through the implementation of this strategy, and within our areas of expertise, NTU will position itself to be:

- the university of choice for students who want to engage in all aspects of university life, to gain the skills, knowledge and self-confidence to succeed in their chosen profession, making a positive impact on the people they meet and the societies in which they live;
- the university of choice for professionals who want to achieve higher, earlier in their career;
- the university of choice for corporate clients who want a professional approach and concrete results from research, training and consultancy services and from the graduates they employ.

The 'strategic platforms' are six university-wide initiatives that are instigating change in the University, putting us in a position to deliver our mission:

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

What matters to our students and other customers is the experience they have with the University. Through the effective implementation of these six platforms, we will achieve our aims and deliver education and research that make a difference: a strong course portfolio, delivered through gold standard customer service, informed by market intelligence, made possible through our freedom to invest and innovate, a resource structure that drives the business, and working in partnership.

## Financial Review of the Year

The University's Consolidated Income and Expenditure Account can be summarised as follows:

	2007/08 £m	2006/07 £m	2005/06 £m
Income	161.6	145.1	139.2
Expenditure (excluding adjustments for FRS 17)	-161.6	151.9	140.7
Release from Revaluation Reserve	1.8	1.8	1.8
Surplus/(Deficit) before inclusion of FRS 17	1.8	-5.0	0.3
Asset Disposals	11.0		
Pension adjustments in respect of FRS 17	-3.0	-2.4	0.6
Historic Cost Surplus/(Deficit)	9.8	-7.4	0.9

The underlying position is a surplus of £1.8m. A further transaction with UPP Ltd in respect of residential accommodation created the £11m exceptional item. After incorporating adjustments for pension scheme accounting under FRS 17, the Historic Cost surplus for the year was £9.8m.

## Cash Flow

The Consolidated Cash Flow Statement highlights strong cash management with a net inflow from operating activities of £6.7m (£4.8m 2006/07).

At 31 July 2008, cash and investments totalled £21.4m equating to 50 days liquidity (39 days 2006/07).

A revised treasury management policy was approved by the Board of Governors during the year and seeks to maximise earnings from investments, commensurate with the avoidance of risk and the maintenance of security.

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

## Balance Sheet

Net Assets have increased year-on-year as the summarised Balance Sheet below highlights:

	2007/08 £m	2006/07 £m	2005/06 £m
Fixed Assests	213.5	201.8	192.8
Net Current Assests	3.9	-2.6	3.2
Long-term creditors	-53.3	-45.5	-46.5
Provisions	-12.9	-14.3	-12.1
Net Assets Excluding FRS 17 adjustments	151.2	139.4	137.4

The University has invested £118m during the period 2004 to 2008 on the estate regeneration programme and other facilities improvements. This capital investment is financed through a combination of bank debt, grants, asset disposal proceeds and working capital. The University has a £75m credit facility.

## Forward planning

The financial year 2008/09 has started very positively; student applications and enrolments are at record highs which ensure that budgeted revenues in this regard will be exceeded. However, the wider economic environment and in particular inflationary pressures have increased costs and therefore the University does not expect to out-perform financial targets overall.

During 2008/09 the estate regeneration programme will continue apace. The construction of the John Van Geest Cancer Research Centre will commence on the Clifton Campus and the largest single project within the programme, the Newton and Arkwright buildings, will re-open during Autumn 2009. Negotiations with the University's bankers over the final tranche of debt are nearing completion ensuring that overall cashflows remain strong during this period of significant capital expenditure.

# Governors' report continued

## Membership

The members of the Board during the year to 31 July 2008, unless otherwise indicated, were:

### Independent members

Mr J Peace, Chairman

Mr R Bullock

- appointed Deputy Chairman 16 October 2007

Professor AP Forster, Deputy Chairman

- retired 15 October 2007

Mr P Bowden

Mr MJ Cooper

- retired 10 June 2008

Mr AK Edwards

Mr J Farrell

Ms S Ford-Hutchinson

Mr R Freeston

Mr M Freyd

Mr K Hogarth

- appointed 11 December 2007

Mr G Mitchell

Mr RW Ruse

Mr JJH Watson

Academic board member

Professor G Kennedy

Student nominee

Mr S Blakeway

General staff member

Ms ME Brown

- retired 31 March 2008

Vice-Chancellor

Professor NT Gorman

Chief Financial and Operations Officer

Mr JS Jackson



Mr J Peace  
Chairman



Prof NT Gorman  
Vice-Chancellor

24 November 2008

# 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 Training and Development Agency for Schools 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 four times a year and has established several committees, including a Membership Nominations Committee, a Remuneration and Employment Committee, an Audit and Risk Management Committee, an Estates Advisory Committee and a Finance Committee. All of these Committees are formally constituted with terms of reference and comprise lay/independent members of the Board of Governors, one of whom is the Chairman and, where appropriate, non-Board co-opted members with specific expertise. Some of these Committees also include members of the University's Senior Management Team. Reports on specific issues and formal minutes from such meetings are submitted to the Board of Governors.

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

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

The Audit and Risk Management Committee meets at least three times a year, with both External and Internal Auditors present. The University's Internal Audit Service operates in

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

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

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

The Estates Advisory Committee examines the Estates Strategy and recommends its approval to the Board of Governors. The duties of the committee are to:

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

# The University's statement of Internal Control

1. As the governing body of Nottingham Trent University, the Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the Instrument and Articles of Government and the Financial Memorandum with the HEFCE.
2. The system of internal control is designed to manage rather than to eliminate the risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness.
3. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. It is the Board's opinion that this process has been in place for the year ended 31 July 2008 and up to the date of approval of the financial statements and accords with HEFCE guidance.
4. The Board of Governors has responsibility for reviewing the effectiveness of the system of internal control and has established the following processes:
  - a) Consideration of the plans and strategic direction of the University is included on the agenda of all meetings of the Board of Governors.
  - b) The Board receives periodic reports from the Chairman of the Audit and Risk Management Committee concerning internal control.
  - c) The Senior Management Team is responsible for risk management within the University. In addition the risk management function has been resourced by the appointment of a Project Sponsor, Risk Manager and Risk Management Co-ordinator. Risk Management has been incorporated into the management and decision making structures of the University.
  - d) The University has an Internal Audit Service that operates to standards defined in the HEFCE Accountability and Audit Code of Practice. It submits regular reports to the University's Audit and Risk Committee on the adequacy and effectiveness of the systems of risk management, governance, internal control and value for money, together with recommendations for improvement.
  - e) A system of key performance and risk indicators has been developed.
  - f) A robust risk prioritisation methodology has been established.
  - g) An organisation-wide risk register is maintained, containing improvement actions and timescales. Risk owners are required to regularly update the Register on the steps they are taking to manage risk in their area of responsibility, including progress reports on key projects.
5. The Board's review of the effectiveness of the system of internal control is informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, the work of the Internal Audit Service and by comments made by the external auditors in their management letter and other reports.

# 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 Training and Development Agency for Schools ('TDA') and the Board of Governors, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the group and of the surplus or deficit and cash flows for that year.

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

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

The Board of Governors has taken reasonable steps to:

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



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

We have audited the Group and University financial statements (the "financial statements") of Nottingham Trent University for the year ended 31 July 2008 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historic cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Board of Governors, 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors, for our audit work, for this report, or for the opinions we have formed.

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

The University's Board of Governors responsibilities for preparing the Operating and Financial Review and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific

purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, the Financial Memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you if, in our opinion, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

## Basis of Opinion

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

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


opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and University's affairs as at 31 July 2008 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2008 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2008 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 financial memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

24 November 2008



KPMG LLP  
Chartered Accountants  
Registered Auditor

KPMG LLP  
St Nicholas House  
Park Row  
NOTTINGHAM  
NG1 6FQ

# Statement of principal accounting policies

## Basis of preparation and accounting convention

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

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

## Basis of consolidation

The consolidated financial statements incorporate the financial statements of the University and its subsidiaries Nottingham Consultants Limited, Nottingham Law School Limited, The Nottingham Trent University Charitable Trust and the Education Support Centre (UK) Limited. The consolidated financial statements also include the results of The Nottingham Trent University Union of Students on the basis that the University has the associated risks and rewards. A separate income and expenditure account dealing with the results of the University has not been presented. The financial statements include a one third share of the results of BioCity Nottingham Limited, a joint venture company set up and operated with The University of Nottingham and the East Midlands Development Agency (EMDA). The results of any other undertakings in which the University has a participating interest have been excluded from the consolidation on the grounds that they are not material to a true and fair view.

## Recognition of income

Recurrent grants from the Higher Education Funding Council for England, the Learning and Skills Council and the Training and Development Agency for Schools represent the funding allocation which is attributable to the current accounting period and are credited direct to the income and expenditure account.

Income from academic fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

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

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

Where the University receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the University does not have direct control over the future economic benefits derived from these funds. The University has applied this policy to certain funds received during the year from the Higher Education Funding Council for England, the Learning and Skills Council and the Training and Development Agency for Schools (see notes 33 to 37).

## Post retirement benefits

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

Contributions to the TPS scheme are charged as incurred to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The

contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The assets of the NCCPF are measured using closing market values. NCCPF liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 28.

## Foreign currency

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

## Leases

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

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

# Statement of principal accounting policies (continued)

## Tangible fixed assets

### Land and buildings

Land and Buildings are stated at cost, or at valuation if acquired before 31 July 1997.

As a consequence of the Education Reform Act 1988, the freehold and leasehold interests in properties occupied by the University previously held by the respective Local Education Authorities ('LEAs') were formally transferred to the University with effect from 1 April 1989. The land and buildings have been valued by Savills Land & Property Limited at 31 July 1997, in accordance with Practice Statement 4.8 of the RICS Appraisal and Valuation Manual issued as at 1 January 1996 as amended (Depreciated Replacement Cost basis). Certain properties, where appropriate, have been valued in accordance with Practice Statement 4.2 of the Manual (Open Market Value basis). These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

### Capitalisation level

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

### Assets under construction

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

### Depreciation

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

Buildings	10 to 80 years
Equipment	3 to 20 years
Fixtures and fittings	10 years
Vehicles	4 years

No depreciation has been provided for on freehold land.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

### Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Listed investments held as fixed assets are stated at market value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

### Maintenance of premises

Costs will be charged to the income and expenditure account as incurred in accordance with FRS12.

### Stock

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

### Cash flows and liquid resources

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

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

### Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Taxes Act 1988. Accordingly, it is potentially exempt from taxation in respect of income or capital

gains received within categories covered by section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

Nottingham Consultants Limited, Nottingham Law School Limited, NTU Charitable Trust and the Education Support Centre (UK) Limited are not subject to these exemptions and are liable for corporation tax on profits or gains arising. However, under a Deed of Covenant arrangement with the University, Nottingham Consultants Limited and Nottingham Law School Limited, transfer all their taxable profits to the University to minimise the payment of corporation tax.

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

### Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

# Accounts

## Consolidated income and expenditure account

for the year ended 31 July 2008

Income	Note	2008 £000	2007 £000
Funding council grants	1	73,484	70,563
Tuition fees and education contracts	2	62,956	51,928
Research grants and contracts	3	5,496	5,055
Other income	4	18,740	16,656
Endowment and investment income	5	947	860
<b>Total income</b>		<b>161,623</b>	<b>145,062</b>
<b>Expenditure</b>			
Staff costs	6	100,414	93,994
Other operating expenses	7	50,956	47,673
Depreciation	10	9,589	8,840
Interest and other finance costs	8	3,647	3,794
<b>Total expenditure</b>		<b>164,606</b>	<b>154,301</b>
Deficit on continuing operations after depreciation of assets at valuation		(2,983)	(9,239)
Exceptional items: continuing operations			
Disposal of fixed assets	10	11,032	-
<b>Surplus/(deficit) for the year retained within general reserves</b>		<b>8,049</b>	<b>(9,239)</b>

## Consolidated statement of historical cost surpluses and deficits

for the year ended 31 July 2008

	2008 £000	2007 £000
Surplus/(deficit) retained within general reserves	8,049	(9,239)
Difference between an historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	1,805	1,805
<b>Historical cost surplus/(deficit) for the year after tax</b>	<b>9,854</b>	<b>(7,434)</b>

# Accounts

## Consolidated statement of total recognised gains and losses

for the year ended 31 July 2008

Income	2008	2007
	£000	£000
Surplus/(deficit) retained within general reserves	8,049	(9,239)
Actuarial (loss)/gain in respect of pension scheme	(14,545)	5,840
Total recognised losses relating to the year	<u>(6,496)</u>	<u>(3,399)</u>

# Accounts

## Balance sheets

as at 31 July 2008

	Note	Group 2008 £000	University 2008 £000	Group 2007 £000	University 2007 £000
<b>Fixed assets</b>					
Tangible assets	10	212,316	208,590	201,153	196,882
Investments	11	<u>1,240</u>	<u>3,471</u>	<u>593</u>	<u>2,906</u>
		213,556	212,061	201,746	199,788
<b>Current assets</b>					
Stock	12	366	235	359	214
Debtors: due within one year	13	7,202	11,788	7,087	11,686
Debtors: due after more than one year	14	652	652	-	211
Cash at bank and in hand		<u>21,388</u>	<u>20,682</u>	<u>15,591</u>	<u>14,868</u>
		29,608	33,357	23,037	26,979
Less: Creditors - amounts falling due within one year	15	(25,735)	(24,398)	(25,669)	(24,120)
<b>Net current assets/(liabilities)</b>		<u>3,873</u>	<u>8,959</u>	<u>(2,632)</u>	<u>2,859</u>
<b>Total assets less current liabilities</b>		217,429	221,020	199,114	202,647
Less: Creditors - amounts falling due after more than one year	16	(53,331)	(53,331)	(45,460)	(45,460)
Less: Provisions for liabilities and charges	17	<u>(12,883)</u>	<u>(12,883)</u>	<u>(14,269)</u>	<u>(14,269)</u>
<b>Net assets excluding pension liability</b>		151,215	154,806	139,385	142,918
Pension liability	28	(58,924)	(58,924)	(41,444)	(41,444)
<b>Net Assets including pension liability</b>		<u>92,291</u>	<u>95,882</u>	<u>97,941</u>	<u>101,474</u>

# Accounts

## Balance sheets (continued)

as at 31 July 2008

	Note	Group 2008 £000	University 2008 £000	Group 2007 £000	University 2007 £000
Deferred capital grants	18	41,689	41,689	40,843	40,843
Reserves					
Income and expenditure account excluding pension liability		53,818	56,089	41,029	43,242
Pension reserve	21	<u>(58,924)</u>	<u>(58,924)</u>	<u>(41,444)</u>	<u>(41,444)</u>
Income and expenditure account including pension liability	21	(5,106)	(2,835)	(415)	1,798
Revaluation reserve	19	55,648	57,028	57,453	58,833
Capital reserve	20	<u>60</u>	<u>-</u>	<u>60</u>	<u>-</u>
		50,602	54,193	57,098	60,631
Total funds		<u>92,291</u>	<u>95,882</u>	<u>97,941</u>	<u>101,474</u>

The financial statements on pages 10 to 44 were approved by the Board of Governors on 24 November 2008 and signed on its behalf by:



Mr J Peace  
Chairman



Prof NT Gorman  
Vice-Chancellor

# Accounts

## Consolidated cash flow statement

for the year ended 31 July 2008

	Note	2008 £000	2007 £000
Net cash inflow from operating activities	22	6,741	4,796
Returns on investments and servicing of finance	23	(1,385)	(1,596)
Capital expenditure and financial investment	24	<u>(7,615)</u>	<u>(8,217)</u>
Cash outflow before management of liquid resources and financing		(2,259)	(5,017)
Management of liquid resources	25	-	20,232
Financing	26	<u>8,151</u>	<u>(799)</u>
Increase in cash	27	<u><u>5,892</u></u>	<u><u>14,416</u></u>

## Reconciliation of net cash flow to movement in net debt

for the year ended 31 July 2008

	2008 £000	2007 £000
Increase in cash in the period	5,892	14,416
(Decrease)/increase in short term deposits	-	(20,232)
New loans acquired	(9,158)	-
Repayment of debt	<u>1,007</u>	<u>799</u>
Change in net debt	(2,259)	(5,017)
Net debt at 1 August	<u>(31,003)</u>	<u>(25,986)</u>
Net debt at 31 July	27 <u><u>(33,262)</u></u>	<u><u>(31,003)</u></u>



# Notes

(forming part of the financial statements)

1 Funding council grants	2008 £000	2007 £000
<b>Recurrent grant</b>		
Higher Education Funding Council for England	59,072	57,098
Training and Development Agency	4,600	4,345
Learning Skills Council	1,368	1,446
<b>Specific grants</b>		
Higher Education Funding Council for England	6,788	6,686
Training and Development Agency	680	12
Deferred capital grants released in year		
Buildings	736	736
Equipment	240	240
	<u>73,484</u>	<u>70,563</u>

2 Tuition Fees and Education Contracts	2008 £000	2007 £000
Full-time home and EU students	34,377	25,545
Full-time international students	11,518	10,590
Part-time students	1,027	1,061
Other fees and support grants	16,034	14,732
	<u>62,956</u>	<u>51,928</u>

# Notes

3 Research grants and contracts	2008 £000	2007 £000
Research councils and charities	2,618	1,975
Industry and commerce	1,330	1,613
Governmental	1,548	1,467
	<u>5,496</u>	<u>5,055</u>
4 Other income	2008 £000	2007 £000
Residences, catering and conferences	4,865	4,130
Other income generating activities	13,012	11,561
Released from deferred capital grants	263	174
Other income	600	791
	<u>18,740</u>	<u>16,656</u>
5 Endowment and Investment Income	2008 £000	2007 £000
Income from short term investments	928	860
Other interest receivable	<u>19</u>	<u>-</u>
	<u>947</u>	<u>860</u>

# Notes

6 Staff costs	2008 £000	2007 £000
Employee costs:		
Wages and salaries	81,570	77,210
Social security costs	6,496	6,045
Other pension costs	10,828	9,630
FRS17 operating costs	1,520	1,109
	<u>100,414</u>	<u>93,994</u>

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

	2008 Number	2007 Number
Teaching departments	1,061	1,041
Teaching support services	665	667
Other support services	58	38
Administration and central services	382	367
Premises	229	234
Other	20	20
	<u>2,415</u>	<u>2,367</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.

	2008 £000	2007 £000
Emoluments of the Vice Chancellor excluding pension contributions	262	236
The University's pension contributions including contributions to the USS	<u>32</u>	<u>29</u>

# Notes

## 6 Staff costs (continued)

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

	2008 Number	2007 Number
£100,001 - £110,000	-	1
£110,001 - £120,000	2	-
£120,001 - £130,000	2	1
£140,001 - £150,000	1	1
	<u>          </u>	<u>          </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.

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

	2008 £000	2007 £000
Compensation paid and payable to the former post-holder	-	302
Estimated value of other benefits, including provisions for pension benefits	<u>-</u>	<u>-</u>

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

# Notes

7 Other operating expenses	2008 £000	2007 £000
Academic departments	15,054	14,728
Academic services	7,882	7,498
Administration and central services	11,156	9,403
Premises	10,751	10,820
Residences, catering and conferences	1,677	1,526
Research grants and contracts	3,282	2,610
Other expenses	1,154	1,088
	<u>50,956</u>	<u>47,673</u>
Other operating expenses include:		
External auditors remuneration in respect of audit services	54	51
External auditors remuneration in respect of non-audit services	45	23
Operating lease rentals	<u>1,643</u>	<u>1,635</u>

8 Interest payable	2008 £000	2007 £000
Bank and other loans wholly repayable within five years	2,232	2,456
Pension finance costs	1,415	1,338
	<u>3,647</u>	<u>3,794</u>

# Notes

9 Surplus/(deficit) on continuing operations for the period	2008 £000	2007 £000
The surplus/(deficit) on continuing operations for the period is made up as follows:		
University surplus/(deficit) for the period	8,107	(8,666)
Deficit generated by subsidiary undertakings and transferred to the University under a gift aid payment plus surplus generated by the Students' Union	(140)	(645)
Share of profit in joint venture	82	72
	<u>8,049</u>	<u>(9,239)</u>

10 Tangible assets	Group Freehold land and buildings £000	Fixtures and fittings £000	Furniture and equipment £000	Assets under course of construction £000	Total £000
Cost or valuation:					
At 1 August 2007	212,362	20,810	64,840	14,492	312,504
Additions	-	2,522	4,712	13,552	20,786
Disposals	(28)	-	(20)	-	(48)
Transfers	1,952	1,575	18	(3,545)	-
At 31 July 2008	<u>214,286</u>	<u>24,907</u>	<u>69,550</u>	<u>24,499</u>	<u>333,242</u>
Accumulated depreciation:					
At 1 August 2007	53,339	5,264	52,748	-	111,351
Charge for the year	3,970	1,565	4,054	-	9,589
Disposals	-	-	(14)	-	(14)
At 31 July 2008	<u>57,309</u>	<u>6,829</u>	<u>56,788</u>	<u>-</u>	<u>120,926</u>
Net book value:					
At 31 July 2008	<u>156,977</u>	<u>18,078</u>	<u>12,762</u>	<u>24,499</u>	<u>212,316</u>
At 31 July 2007	<u>159,023</u>	<u>15,546</u>	<u>12,092</u>	<u>14,492</u>	<u>201,153</u>

# Notes

10 Tangible assets	University Freehold land and buildings £000	Fixtures and fittings £000	Furniture and equipment £000	Assets under course of construction £000	Total £000
Cost or valuation:					
At 1 August 2007	209,374	16,032	61,192	14,781	301,379
Additions	-	2,505	4,577	13,552	20,634
Disposals	(28)	-	-	-	(28)
Transfers	1,952	1,575	18	(3,545)	-
<b>At 31 July 2008</b>	<b><u>211,298</u></b>	<b><u>20,112</u></b>	<b><u>65,787</u></b>	<b><u>24,788</u></b>	<b><u>321,985</u></b>
Accumulated depreciation:					
At 1 August 2007	51,709	3,289	49,499	-	104,497
Charge for the year	3,823	1,271	3,804	-	8,898
Disposals	-	-	-	-	-
<b>At 31 July 2008</b>	<b><u>55,532</u></b>	<b><u>4,560</u></b>	<b><u>53,303</u></b>	<b><u>-</u></b>	<b><u>113,395</u></b>
Net book value:					
<b>At 31 July 2008</b>	<b><u>155,766</u></b>	<b><u>15,552</u></b>	<b><u>12,484</u></b>	<b><u>24,788</u></b>	<b><u>208,590</u></b>
<b>At 31 July 2007</b>	<b><u>157,665</u></b>	<b><u>12,743</u></b>	<b><u>11,693</u></b>	<b><u>14,781</u></b>	<b><u>196,882</u></b>

# Notes

Freehold land with a book value of £9,692,000 (2007: £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.

During the year the University has entered into a lease agreement with UPP Group Limited and UPP Nottingham Limited for the majority of its student residences. The University has received consideration totalling £11,032,000 in respect of this transaction, including a 20% shareholding in UPP Nottingham Limited and an entitlement to loan notes to be issued by UPP Nottingham Limited. The leases are for 40 years maturing in 2048 and at the conclusion of the leases the properties will revert to the University. This reversionary interest is included within fixed assets at valuation. The exceptional item recorded in the income and expenditure account comprises the premium, loan note and equity values net of associated costs received by the University in respect of the lease agreements.

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



# Notes

11 Investments				
	Group 2008 £000	University 2008 £000	Group 2007 £000	University 2007 £000
Subsidiary companies	-	2,222	-	2,222
Other investments	1,240	1,249	593	684
	<u>1,240</u>	<u>3,471</u>	<u>593</u>	<u>2,906</u>

The University owns the total issued share capital of 555,000 ordinary shares of £1 in Nottingham Consultants Limited, 1,667,000 ordinary shares of £1 in Nottingham Law School Limited, 2 ordinary shares of £1 in Nottingham Trent Residences 1 PLC, 2 ordinary shares of £1 each in Nottingham Trent International College Limited and is the sole subscriber to the Education Support Centre (UK) Limited, all companies being registered in Great Britain and incorporated in England and Wales.

During the year the University acquired 20% of the equity in UPP Nottingham Limited as a result of the lease agreements for the majority of its student residences.

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

# Notes

## 11 Investments (continued)

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

	2008 £000	2007 £000
Gross assets	383	301
Gross liabilities	-	-
Net assets	<u>383</u>	<u>301</u>

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

Company name	Percentage shareholding %	Cost of investment £	Value of investment £
Loreus Limited	10	10	-
Gorilla UK Limited	8	8	-
Desivent Limited	9	9	-
Heath Reid & People Limited	10	10	-
Mufti Costumes Limited	10	10	-
Prime Principle Limited	10	10	-
Pseudo Hero Limited	9	9	-
Smudge Film Productions UK Limited	7	7	-
Click2Touch Limited	10	10	-
Eskimo Graphic Design Limited	7	7	-
GermBlock Limited	9	9	-
Stewart & Baker Limited	6	6	-
About DT Limited	8	8	-
Annie Greenabelle Limited	7	7	-
Orb & Crash Limited	7	7	-
Debbie Bryan Limited	7	7	-
Udakka Limited	8	8	-
NG Magazine Limited	7	7	-
Bantum Clothing Limited	7	7	-
Uni-fied Limited	6	6	-
Eye Txt Limited	6	6	-
Red Shoes Memories Limited	6	6	-

The above subsidiaries are all incorporated in Great Britain.

# Notes

12 Stock	Group 2008 £000	University 2007 £000	Group 2007 £000	University 2007 £000
Consumables	177	177	157	157
Goods for resale	189	58	202	57
	<u>366</u>	<u>235</u>	<u>359</u>	<u>214</u>

13 Debtors: amounts falling due within one year	Group 2008 £000	University 2008 £000	Group 2007 £000	University 2007 £000
Trade debtors	4,458	3,054	4,507	3,254
Amounts owed by subsidiary undertakings	-	6,342	-	6,226
Loan to Nottingham Trent Students' Union	-	211	-	211
Prepayments	587	334	860	616
Accrued income	1,924	1,779	1,405	1,379
Other debtors	233	68	315	-
	<u>7,202</u>	<u>11,788</u>	<u>7,087</u>	<u>11,686</u>

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

14 Debtors: amounts falling due after more than one year	Group 2008 £000	University 2008 £000	Group 2007 £000	University 2007 £000
Loan notes (see note 10)	652	652	-	-
Loan to Nottingham Trent Students' Union	-	-	-	211
	<u>652</u>	<u>652</u>	<u>-</u>	<u>211</u>

# Notes

15 Creditors: amounts falling due within one year	Group 2008 £000	University 2007 £000	Group 2007 £000	University 2007 £000
Bank loan	1,287	1,287	1,007	1,007
Bank overdraft	32	-	127	-
Finance leases	417	417	-	-
General creditors	3,017	2,755	3,407	3,041
Social security and other taxation payments	2,979	2,896	3,131	3,022
Amounts owed to subsidiary undertakings	-	-	-	18
Other creditors	140	66	128	59
Accruals	7,903	7,640	7,153	6,789
Deferred income	9,960	9,337	10,716	10,184
	<u>25,735</u>	<u>24,398</u>	<u>25,669</u>	<u>24,120</u>

16 Creditors: amounts falling due after after more than one year	Group 2008 £000	University 2008 £000	Group 2007 £000	University 2007 £000
Unsecured loans	52,496	52,496	45,460	45,460
Finance leases	835	835	-	-
	<u>53,331</u>	<u>53,331</u>	<u>45,460</u>	<u>45,460</u>

Analysis of debt:	Group and University 2008 £000	2007 £000
Amounts falling due:		
Between one and two years	2,258	1,287
Between two and five years	4,674	4,459
In more than five years	46,399	39,714
	<u>53,331</u>	<u>45,460</u>

Of the loans outstanding, £25m is fixed at a rate of 4.88% until October 2030, £10m is fixed at 4.94% until October 2023 and £10m is fixed at 4.90% until October 2026. Interest on the remaining loans is charged at a margin above base rate. All loans are repayable in instalments in the period to October 2030.

# Notes

17 Provisions for liabilities and charges	Group and University				
	Restructuring £000	Pensions £000	Framework £000	Dilapidations £000	Total £000
At 1 August 2007	1,711	10,707	851	1,000	14,269
Transfers from restructuring provision	(84)	84	-	-	-
Transfer from income and expenditure account	<u>382</u>	<u>691</u>	<u>-</u>	<u>-</u>	<u>1,073</u>
	2,009	11,482	851	1,000	15,342
Utilised in year	<u>(1,099)</u>	<u>(700)</u>	<u>(660)</u>	<u>-</u>	<u>(2,459)</u>
At 31 July 2008	<u><u>910</u></u>	<u><u>10,782</u></u>	<u><u>191</u></u>	<u><u>1,000</u></u>	<u><u>12,883</u></u>

The restructuring provision relates to a staff reprofiling exercise. The framework provision represents the anticipated costs of the introduction of the national framework agreement. Refer to note 28 for an explanation of the nature of the pensions provision.

# Notes

18 Deferred capital grants	Group and University		
	Funding councils £000	Other grants £000	Total £000
<b>At 1 August 2007</b>			
Buildings	33,523	5,472	38,995
Equipment	1,438	410	1,848
<b>Total</b>	<b>34,961</b>	<b>5,882</b>	<b>40,843</b>
<b>Cash received</b>			
Buildings	-	500	500
Equipment	1,585	-	1,585
<b>Total</b>	<b>1,585</b>	<b>500</b>	<b>2,085</b>
<b>Released to income and expenditure</b>			
Buildings	(736)	(208)	(944)
Equipment	(240)	(55)	(295)
<b>Total</b>	<b>(976)</b>	<b>(263)</b>	<b>(1,239)</b>
<b>At 31 July 2008</b>			
Buildings	32,787	5,764	38,551
Equipment	2,783	355	3,138
<b>Total</b>	<b>35,570</b>	<b>6,119</b>	<b>41,689</b>

# Notes

19 Revaluation reserve	Group 2008 £000	University 2008 £000	Group 2007 £000	University 2007 £000
Balance brought forward at 1 August	57,453	58,833	59,258	60,638
Released to income and expenditure reserve in year	(1,805)	(1,805)	(1,805)	(1,805)
At 31 July	<u>55,648</u>	<u>57,028</u>	<u>57,453</u>	<u>58,833</u>

20 Capital reserve	Group 2008 £000	University 2008 £000	Group 2007 £000	University 2007 £000
At 1 August 2007 and 31 July 2008	<u>60</u>	<u>-</u>	<u>60</u>	<u>-</u>

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

21 Movement on general reserves	Group £000	University £000
Income and expenditure account		
At 1 August 2007	(415)	1,798
Surplus for the year retained within general reserves	8,049	8,107
Transfer from revaluation reserve to income and expenditure account	1,805	1,805
Actuarial gain in respect of pension scheme	(14,545)	(14,545)
At 31 July 2008	<u>(5,106)</u>	<u>(2,835)</u>
Represented by:		
Income and expenditure reserve excluding pension reserve	53,818	56,089
Pension reserve	(58,924)	(58,924)
At 31 July 2008	<u>(5,106)</u>	<u>(2,835)</u>

# Notes

22 Reconciliation of consolidated operating deficit to net cash from operating activities		
	2008 £000	2007 £000
Deficit after depreciation of assets at valuation and after tax	(2,983)	(9,239)
Release of capital grant (note 18)	(1,239)	(1,150)
Depreciation (note 10)	9,589	8,840
Increase in stock	(7)	(15)
Increase in debtors	(667)	(816)
(Decrease)/increase in creditors	(704)	1,041
(Decrease)/increase provisions	(1,386)	2,164
Interest payable	2,232	2,456
Interest receivable	(947)	(860)
Pension cost less contributions payable	2,935	2,447
Share of profit in joint venture	(82)	(72)
Net cash inflow from operating activities	<u>6,741</u>	<u>4,796</u>
23 Returns on investments and servicing of finance		
	2008 £000	2007 £000
Income from short term investments	847	860
Interest paid	<u>(2,232)</u>	<u>(2,456)</u>
	<u>(1,385)</u>	<u>(1,596)</u>
24 Capital expenditure and financial investment		
	2008 £000	2007 £000
Tangible assets acquired	(20,167)	(18,112)
Sale of fixed assets	11,032	-
Purchase of investments	(565)	-
Deferred capital grants received (note 18)	2,085	9,895
	<u>(7,615)</u>	<u>(8,217)</u>
25 Management of Liquid Resources		
	2008 £000	2007 £000
Withdrawals from deposits	<u>-</u>	<u>20,232</u>



# Notes

26 Financing	2008 £000	2007 £000
New loans	9,158	-
Repayment of amounts borrowed	(1,007)	(799)
Net cash inflow/(outflow)	<u>8,151</u>	<u>(799)</u>

27 Analysis of changes in net debt	At 1 August 2007 £000	Cash flows £000	Other Changes £000	At 31 July 2006 £000
Cash at bank and in hand	15,591	5,797	-	21,388
Bank overdraft	(127)	95	-	(32)
Debt due within one year	(1,007)	1,007	(1,287)	(1,287)
Debt due after one year	(45,460)	(9,158)	1,287	(53,331)
	<u>(31,003)</u>	<u>(2,259)</u>	<u>-</u>	<u>(33,262)</u>

28 Pension and similar obligations	2008 £000	2008 £000	2007 £000	2007 £000
The University participates, principally, in two pension schemes, the Teachers Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).				
TPS contributions paid		5,375		4,858
LGPS:				
Contributions paid	4,874		4,189	
FRS 17 charge	<u>1,520</u>		<u>1,109</u>	
Charge to the income and expenditure account		6,394		5,298
Contributions paid to other pension schemes		257		145
Enhanced pension charge		322		438
Total pension cost for year		<u>12,348</u>		<u>10,739</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS was 31 March 2007.

# Notes

## 28 Pension and similar obligations (continued)

### Teachers Pension Scheme

The TPS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

The pension cost is normally assessed every five years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

#### TPS Fund position at last valuation

Latest actuarial valuation	31 March 2004
Valuation method	Prospective benefits
Market value of assets at date of last valuation	£162,650m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88 %
Investment return per annum	6.5 %
Salary scale increases per annum	5.0 %

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

### FRS 17

Under the definitions set out in Financial Reporting Standard 17 "Retirement Benefits" (FRS 17), the TPS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

### Local Government Pension Scheme

The LGPS is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary and during this accounting period were equal to 14.5 %. A valuation by the Fund's actuary was carried at 31 March 2007 and the fund position is detailed below:

#### NCCPF Fund position at last valuation

Latest actuarial valuation	31 March 2007
Valuation method	Projected unit
Value of assets	£2,418m
Funding level for accrued benefits	83.3 %

	Past service liabilities	Future service liabilities
Investment return per annum		
- pre retirement	7.15 %	6.5 %
- post retirement	5.4 %	6.5 %
Salary scale increases per annum	4.3 %	4.3 %
Pension increase per annum	2.8 %	2.8 %

# Notes

## 28 Pension and similar obligations (continued)

### FRS 17

The material assumptions used by the Actuary at 31 July 2008 were:

	31 July 2008	31 July 2007
Rate of inflation	3.8 %	3.2 %
Rate of increase in salaries	5.3 %	4.95 %
Rate of increase in pensions	3.8 %	3.2 %
Discount rate for liabilities	6.2 %	5.8 %

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

	2008 Years	2007 Years
<b>Retiring today</b>		
Males	20.3	19.7
Females	24.0	22.6
<b>Retiring in 20 years</b>		
Males	22.2	21.3
Females	25.0	25.0

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

	2008		2007	
	Long term rate of return expected at 31 July 2008	Value at 31 July 2008 £000	Long term rate of return expected at 31 July 2007	Value at 31 July 2007 £000
Equities	7.5 %	61,316	7.5 %	73,274
Government bonds	4.8 %	9,333	4.9 %	8,614
Other bonds	5.9 %	5,519	5.8 %	2,765
Property	6.5 %	16,859	6.5 %	16,909
Cash	5.0 %	5,820	5.75 %	4,786
Other	7.5 %	1,505	-	-
<b>Total market value of assets</b>		<b><u>100,352</u></b>		<b><u>106,348</u></b>

The following amounts at 31 July 2008 were measured in accordance with the requirements of FRS 17:

Analysis of the amount shown in the balance sheet	2008 £000	2007 £000
The institution's estimated asset share	100,352	106,348
Present value of the institution's scheme liabilities	(159,276)	(147,792)
<b>Deficit in the scheme - Net pension liability</b>	<b><u>(58,924)</u></b>	<b><u>(41,444)</u></b>

# Notes

<b>28 Pension and similar obligations (continued)</b>		
<b>Analysis of the amount charged to operating deficit</b>		
	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Current service cost	5,147	5,260
Past service cost	1,247	-
Curtailment cost	-	38
Total operating charge	<u>6,394</u>	<u>5,298</u>
<b>Analysis of the amount charged to interest payable</b>		
	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets	7,251	5,771
Interest on pension scheme liabilities	(8,666)	(7,109)
Net charge	<u>(1,415)</u>	<u>(1,338)</u>
<b>Amounts recognised in the statement of total recognised gains and losses</b>		
	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Expected return less actual return on pension scheme assets	-	5,117
Experience gains and losses arising on the scheme liabilities	-	-
Changes in assumptions underlying the present value of scheme liabilities	(14,545)	723
Actuarial (loss)/gain recognised	<u>(14,545)</u>	<u>5,840</u>

# Notes

## 28 Pension and similar obligations (continued)

### Analysis of the movements in the present value of scheme liabilities

	2008 £000	2007 £000
At beginning of year	147,792	137,423
Current service cost	5,147	5,260
Contributions	1,865	1,650
Past service costs	1,247	-
Benefits paid	(3,781)	(2,966)
Interest cost	8,666	7,109
Curtailments and settlements	-	38
Actuarial gain	(1,660)	(722)
At end of year	<u>159,276</u>	<u>147,792</u>

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

	2008 £000	2007 £000
At beginning of year	106,348	92,586
Expected return on assets	7,251	5,760
Actuarial (loss)/gain	(15,999)	5,108
Change in asset valuation	(206)	21
Employer contributions	4,874	4,189
Employee contributions	1,865	1,650
Benefits paid	(3,781)	(2,966)
At end of year	<u>100,352</u>	<u>106,348</u>

# Notes

28 Pension and similar obligations (continued)					
History of experience gains and losses					
	2008	2007	2006	2005	2004
Difference between expected and actual return on scheme assets:					
Amount (£000)	(15,999)	5,108	4,284	9,931	1,306
Percentage of scheme assets	15.9 %	4.8 %	4.6 %	12.4 %	2.0 %
Experience gains and losses on scheme liabilities:					
Amount (£000)	1,660	722	(3,248)	7	-
Percentage of scheme liabilities	1.1 %	0.5 %	2.4 %	-	-
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£000)	(14,339)	5,830	(3,907)	(5,472)	(403)
Percentage of scheme liabilities	9.2 %	3.9 %	2.8 %	4.5 %	0.4 %

The pension charge for the year was £10,828,000 (2007: £10,739,000); 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 % (2007: 3.5 %) in excess of price inflation.

A provision of £691,000 (2007: £713,000) has been made in the 2008 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.

## 29 Contingent liability

The University is a member of U.M. Association (Special Risks) Limited, a company limited by guarantee, formed to provide a mutual association for terrorism risks. The University is a guarantor, on a joint and several basis with other members, of the association's £15m bank loan facility. If the association as a whole suffers a shortfall in any indemnity year, the members are liable for their pro rata share, subject to the articles of the association and the memorandum. No liability has yet arisen under this guarantee.

# Notes

## 30 Operating lease commitments

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

	2008 £000	2007 £000
Leases of buildings expiring:		
In two to five years	823	811
In over five years	-	-
	<u>823</u>	<u>811</u>

	2008 £000	2007 £000
Leases of plant and equipment expiring:		
Within one year	413	-
In two to five years	407	824
After more than five years	-	-
	<u>820</u>	<u>824</u>

## 31 Capital commitments

The group has entered into capital commitments totalling £65.8 million. These contracts were in progress at the end of this accounting period and payments to the end of the accounting period total £25.2 million.

## 32 Related party transactions

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

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arms length and in accordance with the University's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

## 33 Access funds

	2008 £000	2007 £000
Funding council grants	689	944
Interest earned	16	16
	<u>705</u>	<u>960</u>
Disbursements to students	(686)	(860)
<b>Balance unspent at 31 July</b>	<u><b>19</b></u>	<u><b>100</b></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

34 Learner support funds	2008 £000	2007 £000
Funding council grants	168	171
Interest earned	3	2
	<u>171</u>	<u>173</u>
Disbursements to students	(101)	(173)
Balance unspent at 31 July	<u>70</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 Training and Development Agency for Schools bursaries	2008 £000	2007 £000
Training and Development Agency for Schools grants	1,962	2,028
	<u>1,962</u>	<u>2,028</u>
Disbursements to students	(1,699)	(1,824)
Balance unspent at 31 July	<u>263</u>	<u>204</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 PGCE bursaries	2008 £000	2007 £000
Funding council grants	280	282
	<u>280</u>	<u>282</u>
Disbursements to students	(271)	(265)
Balance unspent at 31 July	<u>9</u>	<u>17</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.

37 Training and Development Agency for Schools grants	2008 £000	2007 £000
Training and Development Agency for Schools grants	1,636	1,495
	<u>1,636</u>	<u>1,495</u>
Disbursements to students	(1,575)	(1,476)
Balance unspent at 31 July	<u>61</u>	<u>19</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

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