

Financial Statements for the year to 31 July 2000

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Financial Highlights

Consolidated Income and Expenditure Account

	2000 £ million	1999 £ million	Change %
Funding Council Grants	66.2	61.9	6.9
Academic Fees and Support Grants	53.3	47.1	13.2
Research Grants and Contracts	48.2	41.6	15.9
Other Operating Income	47.7	40.7	17.2
Endowment Income and Interest Receivable	1.6	4.0	
TOTAL INCOME	217.0	195.3	11.1
NET SURPLUS FOR THE YEAR	1.3	1.0	
Net Cash Flow from Operating Activities	2.5	1.3	
Net Returns on Investments and Servicing of Finance	(0.3)	3.0	
NET CASH FLOW BEFORE INVESTING ACTIVITIES	2.2	4.3	
Investing activities include investments in new and refurbished academic and residential buildings.			
Fixed Assets	160.4	136.4	
Endowment Asset Investments	42.5	39.9	
Net Current Liabilities	(10.7)	(10.3)	
Long Term Creditors and Provisions	(37.9)	(18.4)	
Total Assets Less Liabilities	154.3	147.6	

Other Key Statistics

	£ million	£ million	
New Research Grants and Contracts Awarded	68.3	52.0	31.3
	Number	Number	
Number of full-time Students	16,086	15,155	
Total number of students	22,493	22,235	
Number of Subject Areas Rated as Excellent for Teaching	24	19	
Number of Grade 5 and 5* Research Departments	16	16	
UK Ranking of Grade 5* Research Departments	5	5	

Treasurer's Report

Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its trading subsidiaries. The most significant subsidiary is Nottingham University Industrial and Commercial Enterprise Limited (Notice), which undertakes activities that, for commercial reasons, are more appropriately channelled through a limited company. The subsidiaries covenant the whole of any taxable profits to the University.

Results for the Year

The University's Consolidated Income, Expenditure and Results for the year to 31 July 2000 are summarised in the Financial Highlights shown on page 2 of the Financial Statements. The overall result was a small surplus of £1.3 million, in line with the budgeted result and consistent with the results for last year. It reflects significant investments being made in the future of the University and increasing surpluses are planned over the coming years.

The University's total income increased by over 11% to £217 million compared with the previous year. Total expenditure increased by £22.5 million (11%), with staff costs increasing by £11.5 million (10%) to £122 million.

New research grants and contracts awarded during the year increased by over 30% to £68 million. This growth continues the trend of recent years and demonstrates the continuing high standards of research at the University.

Investment Performance

The University's equity and fixed interest investments are managed by Schroder Investment Management Limited. The value of the University's total endowment asset investments increased from £40 million to £42.5 million. A full breakdown of the changes is given in Note 12 of the Financial Statements.

Cash Position

The University had a cash outflow of £21.2 million, after £30 million of capital expenditure reflecting the continued investment in the University's infrastructure and estate. This was financed by additional drawdowns of the loan facility, repayable within 25 years, from National Westminster Bank. During the year the University has drawn down a further £20 million of the long-term loan facility, bringing the total to £35 million.

In September 1997 the University formally launched a Development Appeal to coincide with the golden anniversary of receiving its Royal Charter. The results so far are very encouraging. By the appeals second anniversary, pledges totalling over £21.8 million have been made towards a demanding target, of which approximately 50% has been received.

At the Balance Sheet date net cash, short-term deposits and general investment endowments amounted to £20.2 million, and the University had £37.8 million of long term debt.

Capital Projects

The increase of nearly £24 million (17%) in consolidated tangible fixed assets reflects the continuing investment in the University's teaching and research accommodation. Capital commitments contracted at 31 July were £9.9 million (1999 - £2.7 million).

Future Developments

The University remains one of the most sought after in the UK in terms of the number of applications from highly qualified students for each place. The ability to meet the needs of prospective students was enhanced by the opening of the new Jubilee Campus, which saw its first students this academic year.

The new campus along with the continued development of the main site was a major factor in the University securing additional funded places for 2000/01. The University will continue to seek to secure further increases in student numbers.

The growth in international students has continued and the potential for future growth will be enhanced by the University's participation in Universitas 21 and twinning programmes with other universities. As noted in last year's report, one specific development is the establishment of the University of Nottingham in Malaysia (UNiM), in which the University has a 25% equity stake. It is accounted for as an Associated entity within the Financial Statements. There are three academic divisions at UNiM, Business and Management, Computer Sciences and Engineering, with the first students having started this September.

Treasurer's Report – *continued*

The University has invested in a number of spinout companies, with the aim of maximising the commercial potential of projects initiated by members of the academic staff. These are accounted for as investments through the subsidiary company Notice. The University expects to achieve a good return on its investments in the coming years.

The University is planning extensively for the Research Assessment Exercise in 2001. Given the quality and importance of research at Nottingham, all units should be aiming for the highest grades.

The University has been selected to host the government's prestigious National College for School Leadership. The College, which will be completed by April 2002, will be co-located with the Jubilee Campus and represents a major inward investment for the University and the City of Nottingham. The College will offer the leadership and vision crucial to raising standards and aspirations and equip the nation's school leaders with the right skills to deliver quality education into the 21st century.

Employment of Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. If existing employees become disabled every effort is made to continue their employment with the University and arrange appropriate training. It is the University's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee Involvement

The University places considerable value on the involvement of its employees and on good communication with them. The University publishes a fortnightly staff newsletter and separate supplements are published when the need arises. Staff are encouraged to participate in formal and informal consultation at University and School level, sometimes through the membership of formal Committees. The University has a Training and Staff Development Unit that is responsible for providing technical and general training to all levels of staff.

Creditor Payment Policy

It is the University's policy to abide by terms of payment agreed with suppliers. In most cases the University's conditions of purchase apply, in which case payment is made within 30 days after the end of the month of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later. In some cases, the terms of payment are as stated in the supplier's own literature. In other cases, the terms of payment are determined by specific written or oral agreement.

Corporate Governance

The University is committed to following best practice in all aspects of corporate governance. The financial statements have for some years confirmed the University's compliance with the aspects that are relevant to universities of the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance. The University also recognises the publication of the Combined Code on Corporate Governance and is reviewing the application of the recently published Turnbull Guidance. This year's statement appears on page 5. The University also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in 1995 and updated in 1998.

Conclusion

Over recent years the University has made substantial strategic investments, which puts it in a strong position in terms of academic excellence and the quality of the environment for research and teaching. The University has invested its capital, which it intends to recover out of future rising surpluses.

We are in a strong financial position relative to the UK University sector. The long-term debt is well structured and the popularity of the University and the current level of revenue investment mean that there is significant flexibility to meet future uncertainties.

The University's greatest asset remains the quality of its work and its outstanding reputation, which underpins its financial position.

Keith Hamill,
Treasurer
31 October 2000

Corporate Governance

The Council welcomed the report of the Committee on the Financial Aspects of Corporate Governance and its Code of Best Practice, particularly as the University is an investor in many listed companies. Whilst the University, being a corporation formed by Royal Charter with charitable status, does not fall within the regulation of the London Stock Exchange, the Council is satisfied that the University has complied throughout the period with the provisions of the Codes, other than those relating to directors' service contracts and stock options which cannot be applied to Universities.

Summary of the University's Structure of Corporate Governance

The University's Council comprises 11 lay and 13 academic persons appointed under the University's Statutes, the majority of whom are non-executive. The role of President of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specifically reserved to the Council for decision are set out in the University's Statutes. By custom and under the HEFCE Financial Memorandum, the Council is responsible for the University's ongoing strategic direction, approval of major developments and receiving regular reports from Executive Officers on the day to day operations of its business and its subsidiaries. The Council meets six times a year; and has several Committees, including a Finance and General Purposes Committee, a Strategy and Planning Committee, a Council Membership Committee, a Remuneration Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference and comprise mainly lay members of Council, one of whom is the Chair.

The Finance and General Purposes Committee, which comprises 20 members of which 10 are lay members, inter alia recommends to Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The Committee also reviews major investment decisions prior to final approval by Council.

The Strategy and Planning Committee, which comprises 13 members of which 7 are lay members, advises the executive and Council on the University's overall objectives and priorities and the strategies and policies to achieve them. The Council Membership Committee considers nominations for vacancies in the Council membership under the relevant Statute. The Remuneration Committee determines the remuneration of professorial and senior administrative staff.

The Audit Committee, which now comprises 5 lay members (1999, 3 members) and the Vice Chancellor, meets, at least three times annually, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider 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 HEFCE as they affect the University's business and monitors adherence with the regulatory requirements. It reviews the University's annual financial statements together with the accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee meets with the External Auditors on their own for independent discussions.

On behalf of Council, the Audit Committee commissioned a review of the effectiveness of the systems of internal financial control operating during the year. This included a process of supervised self-assessment by administrative departments through which they were required to confirm compliance with control objectives. The results have been considered by executive management and the Internal Auditors and were summarised for review by the Audit Committee.

Responsibilities of the University's Council

Following changes to Charter and Statutes approved by the Privy Council in 1999, the Council is clearly established as the institution's governing body. Amongst other matters, it is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE) and the Council of the University, the Council, 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 of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council 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 the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council 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 prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturn;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Council;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee;
- self assessment Controls Assurance certification completed by managers responsible for key systems of financial control; reviewed by Internal Audit and the results reported to the Audit Committee.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Report of the Auditors to the University's Council

We have audited the financial statements on pages 8 to 23 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 8 and 9.

Respective Responsibilities of the Governing Body and Auditors

The Council is responsible for preparing the financial statements. As described on page 6, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. 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 for Further and Higher Education Institutions. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied for the purposes for which they were received, and whether, in all material respects, income has been applied in accordance with the institution's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England.

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

We read the other information contained on pages 3 to 6 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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 and the group at 31 July 2000, and of the surplus of income over expenditure and cash flows of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions;
- b. in all material respects, income from the Higher Education Funding Council for England 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 respects, income has been applied in accordance with the University's statutes and where appropriate with the Financial Memorandum dated 29 March 1996 with the Higher Education Funding Council for England.



PricewaterhouseCoopers
Chartered Accountants
Victoria House, 76 Milton Street, Nottingham
31 October 2000

Statement of Principal Accounting Policies

1. Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments, and in accordance with both the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions (SORP) and applicable Accounting Standards.

2. Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July.

The consolidated income and expenditure account includes the Group's share of the profits or losses and tax of associated undertakings and the consolidated balance sheet includes the investment in associated undertakings at the Group's share of their underlying net tangible assets. Associated undertakings are those in which the Group has a significant, but not dominant, influence over their commercial and financial policy decisions.

The consolidated financial statements do not include those of the University of Nottingham Students' Union as it is a separate unincorporated body in which the University has no financial interest and no control or significant influence over policy decisions.

3. Recognition of Income

Income from Specific Endowments and Donations and Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from other sources is credited to the Income and Expenditure Account on a receivable basis.

4. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Nottingham Contributory Pension and Assurance Scheme (CPAS). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The Funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the Schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the Schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. A small number of staff remain in other pension schemes.

5. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. 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.

7. Land and Buildings

Land and Buildings are stated at cost, other than those held as investments. Land, with the exception of the Arts Centre and DH Lawrence Pavilion land, which are held on a long lease, is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of up to 100 years and leasehold land over the life of the lease.

Statement of Principal Accounting Policies - *continued*

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

8. Equipment

Equipment, including microcomputers and software, costing less than £30,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

Telephone equipment	7 years
Motor vehicles and other general equipment	3 – 10 years
Equipment acquired for specific research projects.....	project life (generally 3 years)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).

9. Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical costs less any provision for impairment in their value.

Endowment Asset Investments are included in the Balance Sheet at market value. Current Asset Investments are included at the lower of cost and net realisable value.

10. Stocks

The stocks are stores, coal and oil held by the Estates Office, stores held centrally for some academic schools, stationery, and farm livestock, produce and consumables. They are valued at the lower of cost or net realisable value.

11. Maintenance of Premises

The University has a five year rolling maintenance plan, which is reviewed on an annual basis. The costs of maintenance are charged to the income and expenditure account as incurred.

12. Taxation Status

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, the University 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. The University receives no similar exemption in respect of Value Added Tax.

Consolidated Income and Expenditure Account

For the Year Ended 31 July 2000

	Note	1999/2000 £m	1998/99 £m
INCOME			
Funding Council Grants	1	66.2	61.9
Academic Fees and Support Grants	2	53.3	47.1
Research Grants and Contracts	3	48.2	41.6
Other Operating Income	4	47.7	40.7
Endowment Income and Interest Receivable	5	1.6	4.0
Total Income		<u>217.0</u>	<u>195.3</u>
EXPENDITURE			
Staff Costs	6	122.0	110.5
Depreciation	10	5.7	4.8
Other Operating Expenses	7	87.2	77.9
Interest Payable	8	<u>1.9</u>	<u>1.1</u>
Total Expenditure	9	<u>216.8</u>	<u>194.3</u>
Surplus for the Year		0.2	1.0
Share of losses in associated company	11	(0.1)	0.0
Surpluses on disposal of property		<u>1.2</u>	<u>0.0</u>
Net Surplus for Year	19	<u>1.3</u>	<u>1.0</u>

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.

Statement of Consolidated Total Recognised Gains and Losses

For the Year Ended 31 July 2000

	Note	1999/2000 £m	1998/99 £m
Surplus for the Year	19	1.3	1.0
Prior Year adjustment		0.0	1.3
Appreciation of Endowment Asset Investments	18	2.6	2.1
Net Movement in Retained Endowment Income	18	(0.2)	0.3
New Endowments	18	<u>0.2</u>	<u>0.3</u>
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>3.9</u>	<u>5.0</u>

Balance Sheet

As at 31 July 2000

		Consolidated		University	
	Note	2000 £m	1999 £m	2000 £m	1999 £m
FIXED ASSETS					
Tangible Assets	10	160.3	136.4	158.0	133.6
Investments	11	0.1	0.0	0.2	0.1
		<u>160.4</u>	<u>136.4</u>	<u>158.2</u>	<u>133.7</u>
ENDOWMENT ASSET INVESTMENTS	12	<u>42.5</u>	<u>39.9</u>	<u>42.5</u>	<u>39.9</u>
CURRENT ASSETS					
Stocks		1.2	1.3	1.1	1.1
Debtors	13	32.0	27.1	57.0	67.0
Short Term Investments		2.4	6.6	2.0	6.6
Cash at Bank and in Hand		2.2	0.2	1.9	(0.6)
		<u>37.8</u>	<u>35.2</u>	<u>62.0</u>	<u>74.1</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	<u>(48.5)</u>	<u>(45.5)</u>	<u>(55.3)</u>	<u>(61.3)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(10.7)</u>	<u>(10.3)</u>	<u>6.7</u>	<u>12.8</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		192.2	166.0	207.4	186.4
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(37.8)	(18.0)	(50.6)	(37.1)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(0.1)</u>	<u>(0.4)</u>	<u>(0.1)</u>	<u>(0.4)</u>
TOTAL NET ASSETS		<u>154.3</u>	<u>147.6</u>	<u>156.7</u>	<u>148.9</u>
DEFERRED CAPITAL GRANTS	17	32.5	29.8	32.5	29.8
ENDOWMENTS					
Specific	18	26.9	24.6	26.9	24.6
General	18	<u>15.6</u>	<u>15.3</u>	<u>15.6</u>	<u>15.3</u>
		42.5	39.9	42.5	39.9
GENERAL RESERVES	19	<u>79.3</u>	<u>77.9</u>	<u>81.7</u>	<u>79.2</u>
TOTAL FUNDS		<u>154.3</u>	<u>147.6</u>	<u>156.7</u>	<u>148.9</u>

The financial statements on pages 8 to 23 were approved by Council on 31 October 2000 and signed on its behalf by:

COLIN M CAMPBELL
Vice Chancellor

NAZIM KARIMJEE
Chairman of Finance
and General Purposes Committee

DAVID A BEEBY
Bursar

MARTIN WYNNE-JONES
Director of Finance

Consolidated Cash Flow Statement

For the Year Ended 31 July 2000

	Note	1999/2000 £m	1998/99 £m
Net Cash Inflow from Operating Activities	23	2.5	1.3
Returns on Investments and Servicing of Finance	24	(0.3)	3.0
Capital Expenditure and Financial Investment	25	(23.4)	(33.0)
Cash Outflow before Use of Liquid Resources and Short-term Investments		<u>(21.2)</u>	<u>(28.7)</u>
Management of Liquid Resources		4.2	15.9
Financing	26	19.5	11.0
INCREASE/(DECREASE) IN CASH	27	<u>2.5</u>	<u>(1.8)</u>

Reconciliation of Net Cash Flow to Movement in Net Funds

	1999/2000 £m	1998/99 £m
Increase/(Decrease) in Cash in the Period	2.5	(1.8)
Decrease in Short Term Investments	(4.2)	(15.9)
Repayment of Debt	0.5	4.0
New Loans	(20.0)	(15.0)
CHANGE IN NET FUNDS	<u>(21.2)</u>	<u>(28.7)</u>
NET FUNDS AT 1 AUGUST	<u>(7.8)</u>	<u>20.9</u>
NET FUNDS AT 31 JULY	27 <u>(29.0)</u>	<u>(7.8)</u>

Notes to the Accounts

1. Funding Council Grants	HEFCE 1999/2000 £m	TTA 1999/2000 £m	Total 1999/2000 £m	Total 1998/99 £m
Recurrent Grants	62.3	1.1	63.4	59.6
Specific Grants	1.3	0.8	2.1	1.7
Deferred Capital Grants Released in Year				
Buildings (Note 17)	0.3	0.0	0.3	0.2
Equipment (Note 17)	0.4	0.0	0.4	0.4
Total from Funding Councils	64.3	1.9	66.2	61.9

2. Academic Fees and Support Grants	1999/2000 £m	1998/99 £m
Full-time credit bearing courses - home fees	14.9	13.4
Full-time credit bearing courses - international fees	18.4	14.3
Part-time credit bearing courses	1.7	1.9
Other teaching contracts	14.4	13.6
Non credit bearing courses and other fees	3.9	3.9
	53.3	47.1

3. Research Grants and Contracts	1999/2000 £m	1998/99 £m
Research Councils	13.5	12.3
UK Based Charities	9.0	6.4
Other Grants and Contracts	24.3	21.5
Released from Deferred Capital Grants (Note 17)	1.4	1.4
	48.2	41.6

4. Other Operating Income	1999/2000 £m	1998/99 £m
Residences, Catering and Conferences	22.9	19.9
Other Services Rendered	11.5	9.4
Health Authorities	4.8	4.7
Released from Deferred Capital Grants (Note 17)	0.8	1.2
Other Income	7.7	5.5
	47.7	40.7

5. Endowment Income and Interest Receivable	1999/2000 £m	1998/99 £m
Transferred from Specific Endowments (Note 18)	0.5	0.5
Income from General Endowment Asset Investments (Note 18)	0.5	0.8
Other Interest Receivable	0.6	2.7
	1.6	4.0

Notes to the Accounts - *continued*

6. Staff

	1999/2000 £m	1998/99 £m
Staff Costs:		
Gross Pay	104.5	94.1
Social Security Costs	7.7	7.2
Other Pension Costs (Note 28)	9.8	9.2
	<u>122.0</u>	<u>110.5</u>

	1999/2000 £000	1998/99 £000
Emoluments of the Vice Chancellor	<u>142</u>	<u>131</u>

The emoluments of the Vice Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS are paid at the same rates as for other academic staff and amounted to £24,441 (1998/99 - £17,500).

Compensation for loss of office paid to employees earning in excess of £50,000 per annum representing payments to USS for enhanced pension benefits	<u>136</u>	<u>37</u>
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	Number	Number
Average Staff Numbers by Major Category:		
Teaching and Research	1,902	1,793
Technical	511	505
Administrative	403	360
Other, including Clerical and Manual	<u>1,754</u>	<u>1,675</u>
	<u>4,570</u>	<u>4,333</u>

Remuneration of other Higher Paid Staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are excluded from the University's Income and Expenditure Account:

	Number	Number
£50,000 - £59,999	69	66
£60,000 - £69,999	28	25
£70,000 - £79,999	19	14
£80,000 - £89,999	8	19
£90,000 - £99,999	13	0
£100,000 - £109,999	2	14
£110,000 - £119,999	3	2

Notes to the Accounts - *continued*

7. Other Operating Expenses

	1999/2000 £m	1998/99 £m
Purchase, Hire and Repair of Equipment	14.0	12.6
Consumables and Laboratory Expenditure	10.0	8.4
Published Materials	2.9	2.8
Travel and Subsistence	6.2	5.3
Professional fees	7.0	5.7
Fellowships, Scholarships, Prizes and Other fees	13.7	11.9
Catering Supplies	4.3	3.9
Repairs and General Maintenance	11.3	11.0
Heat, Light, Water and Power	3.9	4.1
Rent, Rates and Insurance	2.4	3.3
Grants to University of Nottingham Students Union	0.8	0.6
Auditors' Remuneration	0.4	0.5
Training	1.1	0.9
Advertising	1.5	1.5
Other Expenses	7.7	5.4
	<u>87.2</u>	<u>77.9</u>

Auditors' Remuneration includes £25,500 in respect of audit services for the group of which £20,000 relates to the University. (The 1998/99 expenditure was £25,000 and £20,000 respectively).

8. Interest Payable

	1999/2000 £m	1998/99 £m
Loans not wholly repayable within five years	1.7	0.9
Finance Leases	0.2	0.2
	<u>1.9</u>	<u>1.1</u>

9. Analysis Of 1999/2000 Expenditure By Activity

	Staff Costs £m	Dep'n £m	Other Operating Expenses £m	Interest Payable £m	Total £m
Academic Departments	70.5	0.9	20.5	0.0	91.9
Research Grants and Contracts	19.0	1.4	19.1	0.0	39.5
Total Teaching and Research	<u>89.5</u>	<u>2.3</u>	<u>39.6</u>	<u>0.0</u>	<u>131.4</u>
Academic Services	6.9	0.1	7.8	0.0	14.8
Administration	8.5	0.0	8.1	0.0	16.6
Premises	5.2	1.9	11.7	0.1	18.9
Residences, Catering and Conferences	7.0	0.6	14.1	1.5	23.2
Other Expenses	<u>4.9</u>	<u>0.8</u>	<u>5.9</u>	<u>0.3</u>	<u>11.9</u>
Total per Income and Expenditure Account	<u>122.0</u>	<u>5.7</u>	<u>87.2</u>	<u>1.9</u>	<u>216.8</u>

Notes to the Accounts - *continued*

10. Tangible Assets

	CONSOLIDATED				
	Land and Buildings Freehold £m	Long Leasehold £m	Equipment £m	Leased Equipment £m	Total £m
Cost					
At 1 August 1999	140.6	4.4	15.4	6.3	166.7
Reclassification	(5.6)	6.0	(0.4)	0.0	0.0
Additions at Cost	24.6	0.6	4.6	0.0	29.8
Disposals	(0.1)	0.0	(0.1)	0.0	(0.2)
At 31 July 2000	159.5	11.0	19.5	6.3	196.3
Depreciation					
At 1 August 1999	15.1	0.1	11.6	3.5	30.3
Reclassification	(0.7)	0.7	0.0	0.0	0.0
Charge for Year	1.9	0.1	3.2	0.5	5.7
Eliminated on Disposals	0.0	0.0	0.0	0.0	0.0
At 31 July 2000	16.3	0.9	14.8	4.0	36.0
Net Book Value					
At 31 July 2000	143.2	10.1	4.7	2.3	160.3
At 1 August 1999	125.5	4.3	3.8	2.8	136.4

	UNIVERSITY				
	Land and Buildings Freehold £m	Long Leasehold £m	Equipment £m	Leased Equipment £m	Total £m
Cost					
At 1 August 1999	140.6	4.4	15.4	0.8	161.2
Reclassification	(5.6)	6.0	(0.4)	0.0	0.0
Additions at Cost	24.6	0.6	4.6	0.0	29.8
Disposals	(0.1)	0.0	(0.1)	0.0	(0.2)
At 31 July 2000	159.5	11.0	19.5	0.8	190.8
Depreciation					
At 1 August 1999	15.1	0.1	11.6	0.8	27.6
Reclassification	(0.7)	0.7	0.0	0.0	0.0
Charge for Year	1.9	0.1	3.2	0.0	5.2
Eliminated on Disposals	0.0	0.0	0.0	0.0	0.0
At 31 July 2000	16.3	0.9	14.8	0.8	32.8
Net Book Value					
At 31 July 2000	143.2	10.1	4.7	0.0	158.0
At 1 August 1999	125.5	4.3	3.8	0.0	133.6

Notes to the Accounts – *continued*

11. Investments

	Consolidated		University	
	2000	1999	2000	1999
	£m	£m	£m	£m
Subsidiary Company	0.0	0.0	0.1	0.1
Associated Companies	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
	<u>0.1</u>	<u>0.0</u>	<u>0.2</u>	<u>0.1</u>

The University owns 100% of the issued share capital of the following companies which are registered in England and operating in the UK:

Company Name	No. of £1 Ordinary Shares
Nottingham University Industrial and Commercial Enterprise Limited	100,000
UN Property Services Limited	2
UN Contracting Services Limited	2
UN Property Management Limited	2
UN Teaching Services Limited	2

The consolidated results of the group incorporate those of Mainpaper Limited, a company granted charitable status in January 1999 which is registered and operating in the UK.

Investment in Associated companies	Consolidated and University £m
As at 1 August 1999	0.0
Shares acquired in University of Nottingham in Malaysia	0.2
Group's share of retained losses	<u>(0.1)</u>
As at 31 July 2000	<u>0.1</u>

The University owns 25% of the ordinary share capital of the University of Nottingham in Malaysia (UNiM), a company incorporated in Malaysia. UNiM has a financial year end of 31 December in common with its majority shareholder.

12. Endowment Asset Investments

	Consolidated and University £m
Balance at 1 August 1999	39.9
Additions	11.3
Disposals	(11.9)
Appreciation on Disposals/Revaluation	2.7
Increase in Cash Balances held at Fund Managers	<u>0.5</u>
Balance at 31 July 2000	<u>42.5</u>
Represented by:	
Fixed Interest Stocks	4.6
Equities	31.3
Land and Property	2.2
Cash Balances (Note 27)	<u>4.4</u>
	<u>42.5</u>

Land and property valuations as at 31 July have been made by senior management on the advice of firms of Chartered Surveyors, the basis of valuation being open market value taking groups of properties together for this purpose.

Notes to the Accounts - *continued*

13. Debtors

	Consolidated		University	
	2000	1999	2000	1999
	£m	£m	£m	£m
Amounts falling due within one year:				
Debtors	14.8	13.7	13.8	12.8
Amounts due from Subsidiaries	0.0	0.0	26.0	40.8
Prepayments and accrued income	17.2	13.4	17.2	13.4
	<u>32.0</u>	<u>27.1</u>	<u>57.0</u>	<u>67.0</u>

14. Creditors: Amounts Falling Due Within One Year

	Consolidated		University	
	2000	1999	2000	1999
	£m	£m	£m	£m
Obligations under Finance Leases (Note 20)	0.2	0.5	0.0	0.0
Payments Received in Advance	1.1	1.0	0.9	0.8
Creditors	5.4	5.0	6.7	4.4
Social Security and Other Taxation Payable	6.9	5.4	5.1	6.4
Amounts due to Subsidiaries	0.0	0.0	7.9	16.6
Accruals and Deferred Income	34.9	33.6	34.7	33.1
	<u>48.5</u>	<u>45.5</u>	<u>55.3</u>	<u>61.3</u>

15. Creditors: Amounts Falling Due After More Than One Year

	Consolidated		University	
	2000	1999	2000	1999
	£m	£m	£m	£m
Loans from subsidiary companies	0.0	0.0	15.6	22.1
Secured loans	35.0	15.0	35.0	15.0
	<u>35.0</u>	<u>15.0</u>	<u>50.6</u>	<u>37.1</u>
Obligations under Finance Leases (Note 20)	2.8	3.0	0.0	0.0
	<u>37.8</u>	<u>18.0</u>	<u>50.6</u>	<u>37.1</u>

The loan is with National Westminster Bank and has a maximum term of 25 years with interest charged at LIBOR plus 0.5%. The loan is secured against the Jubilee Campus.

16. Provisions For Liabilities And Charges

	Consolidated and University Restructuring £m
At 1 August 1999	0.4
Utilised/Released in Year	<u>(0.3)</u>
At 31 July 2000	<u>0.1</u>

Notes to the Accounts – *continued*

17. Deferred Capital Grants

	Consolidated and University		
	Funding Council £m	Other Grants & Benefactions £m	Total £m
At 1 August 1999			
Buildings	19.2	8.1	27.3
Equipment	0.3	2.2	2.5
Total	19.5	10.3	29.8
Grants Received			
Buildings	2.2	1.6	3.8
Equipment	0.7	1.1	1.8
Total	2.9	2.7	5.6
Released to Income and Expenditure			
Buildings (Notes 1 and 4)	(0.3)	(0.1)	(0.4)
Equipment (Notes 1, 3 and 4)	(0.4)	(2.1)	(2.5)
Total	(0.7)	(2.2)	(2.9)
At 31 July 2000			
Buildings	21.1	9.6	30.7
Equipment	0.6	1.2	1.8
Total	21.7	10.8	32.5

18. Endowments

	Consolidated and University		
	Specific £m	General £m	Total £m
At 1 August 1999	24.6	15.3	39.9
Additions	0.2	0.0	0.2
Transferred to Income and Expenditure Account – property disposals	0.0	(0.5)	(0.5)
Appreciation of Endowment Asset Investments	1.8	0.8	2.6
Income for Year	0.8	0.5	1.3
Transferred to Income and Expenditure Account (Note 5)	(0.5)	(0.5)	(1.0)
At 31 July 2000	26.9	15.6	42.5
Representing:			
Fellowships and Scholarships Funds	3.1	0.0	3.1
Prizes Funds	1.0	0.0	1.0
Chairs and Lectureships Funds	17.5	0.0	17.5
Other Funds	5.3	15.6	20.9
	26.9	15.6	42.5

Notes to the Accounts - *continued*

19. General Reserves

	UNIVERSITY			
	Consolidated £m	Total £m	Revenue Reserves £m	Capital Reserve £m
Balance at 1 August 1999	77.9	79.2	24.5	54.7
Transfers from Surplus for the Year	1.3	2.4	1.1	1.3
Other Transfers	0.1	0.1	(4.0)	4.1
Balance at 31 July 2000	<u>79.3</u>	<u>81.7</u>	<u>21.6</u>	<u>60.1</u>

20. Lease Obligations

	Consolidated		University	
	2000 £m	1999 £m	2000 £m	1999 £m
Obligations under finance leases fall due as follows:				
Between two and five years	0.9	0.9	0.0	0.0
Over five years	<u>1.9</u>	<u>2.1</u>	<u>0.0</u>	<u>0.0</u>
Total over one year (Note 15)	2.8	3.0	0.0	0.0
Within one year (Note 14)	<u>0.2</u>	<u>0.5</u>	<u>0.0</u>	<u>0.0</u>
	<u>3.0</u>	<u>3.5</u>	<u>0.0</u>	<u>0.0</u>

Operating lease commitments in respect of equipment for the forthcoming financial year, on leases expiring:

Within one year	0.0	0.1	0.0	0.1
Between two and five years	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>

21. Capital Commitments

	Consolidated		University	
	2000 £m	1999 £m	2000 £m	1999 £m
Commitments contracted at 31 July	<u>9.9</u>	<u>2.7</u>	<u>9.9</u>	<u>2.7</u>

22. Related Party Transactions

The University of Nottingham owns a 25% stake in the University of Nottingham in Malaysia (UNiM), which is accounted for as an associated entity (see note 11).

Certain academic members of staff will be seconded to UNiM for periods of up to 3 years. The University has responsibility for the academic quality of UNiM, for which it will receive a quarterly management fee. Certain costs incurred by both the University and UNiM will be rechargeable to the other institution in accordance with a signed agreement. The first students enrolled in September 2000.

During the year the only significant transaction was the acquisition of the shares in UNiM for £0.2m, which was paid after the year-end.

Notes to the Accounts - *continued*

23. Reconciliation of Consolidated Operating Surplus To Net Cash Inflow From Operating Activities

	1999/2000 £m	1998/99 £m
Surplus for the Year	1.3	1.0
Depreciation (Note 10)	5.7	4.8
Loss on disposal of Fixed Assets	0.1	0.0
Surplus on disposal of Properties	(1.2)	0.0
Share of losses in associated company	0.1	0.0
Deferred Capital Grants Released to Income (Note 17)	(2.9)	(3.2)
Investment Income (Note 5)	(1.6)	(4.0)
Interest Paid	1.9	1.1
Net Donated Income Retained in Specific Endowments	0.3	0.3
Decrease / (Increase) in Stocks	0.1	(0.1)
Increase in Debtors	(4.8)	(5.5)
Increase in Creditors	3.8	8.3
Decrease in Provisions	(0.3)	(1.4)
Net Cash Inflow from Operating Activities	<u>2.5</u>	<u>1.3</u>

24. Returns On Investments And Servicing Of Finance

	1999/2000 £m	1998/99 £m
Income from Endowments	1.0	1.3
Other Interest Received	0.6	2.8
Interest Paid	(1.9)	(1.1)
Net Cash (Outflow)/Inflow from Returns on Investments and Servicing of Finance	<u>(0.3)</u>	<u>3.0</u>

25. Capital Expenditure And Financial Investment

	1999/2000 £m	1998/99 £m
Payments to Acquire Tangible Assets	(30.5)	(40.4)
Payments to Acquire Endowment Asset Investments (Note 12)	(11.3)	(9.5)
Total Payments to Acquire Fixed and Endowment Asset Investments	<u>(41.8)</u>	<u>(49.9)</u>
Receipts from Sales of Endowment Assets (Note 12)	11.9	13.6
Receipts from Sales of Properties	0.7	0.0
Deferred Capital Grants Received (Note 17)	5.6	3.0
Endowments Received (Note 18)	0.2	0.3
Net Cash Outflow from Investing Activities	<u>(23.4)</u>	<u>(33.0)</u>

Notes to the Accounts - *continued*

26. Analysis Of Changes In Consolidated Financing During The Year

	Total £m	Finance Leases £m	Mortgages and Loans £m
Balances at 1 August 1999	<u>18.5</u>	<u>3.5</u>	<u>15.0</u>
New Leases/Loans	20.0	0.0	20.0
Capital Repayments	<u>(0.5)</u>	<u>(0.5)</u>	<u>0.0</u>
Net Amount Repaid in Year	<u>19.5</u>	<u>(0.5)</u>	<u>20.0</u>
Balances at 31 July 2000	<u><u>38.0</u></u>	<u><u>3.0</u></u>	<u><u>35.0</u></u>

27. Analysis Of Changes In Net Funds

	At 1 August 1999 £m	Cash Flows £m	At 31 July 2000 £m
Cash			
Endowment Asset Investments (Note 12)	3.9	0.5	4.4
Cash at Bank and in hand	0.2	2.0	2.2
	<u>4.1</u>	<u>2.5</u>	<u>6.6</u>
Short Term Investments	6.6	(4.2)	2.4
Debt due within one year	(0.5)	0.3	(0.2)
Debt due after one year	<u>(18.0)</u>	<u>(19.8)</u>	<u>(37.8)</u>
	<u><u>(7.8)</u></u>	<u><u>(21.2)</u></u>	<u><u>(29.0)</u></u>

Notes to the Accounts – *continued*

28. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Nottingham Contributory Pension and Assurance Scheme (CPAS). The assets of the schemes are held in separate trustee-administered funds. USS provides benefits based on final pensionable salary for academic and related employees of some UK universities and some other employers. CPAS provides similar benefits for other staff of the University. The assumptions and other data which have the most significant effect on the determination of the contribution levels are as follows:

	USS	CPAS
Latest actuarial valuations	31 March 1999	31 July 1997
Investment returns per annum	5.5%	9.0%
Salary scale increases per annum	3.5%	7.0%
Pension increases per annum	2.5%	4.5%
Market value of assets at date of last valuation	£18,815 million	£41 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	108%	115%

The total pension cost for the University and its subsidiaries was:

	1999/2000 £m	1998/99 £m
Contributions to USS	8.2	7.6
Contributions to CPAS	1.2	1.2
Contributions to Other Pension Schemes	0.4	0.4
Total Pension Cost (Note 6)	9.8	9.2

The contribution rate for USS payable by the University was 14% and for CPAS, the contribution rate for the whole period was 7.04% of pensionable salaries. The actuaries to USS and CPAS have confirmed that it is appropriate to take the pensions costs in the University's financial statements to be equal to the actual contributions paid during the year. In particular, the USS contribution rate recommended following the 1999 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

The most recent valuation for CPAS was carried out as at 31 July 2000, but the results are not yet available.

29. Access Funds

	1999/2000 £000	1998/99 £000
Funding Council Grants	0.6	0.4
Interest Earned	0.0	0.0
	0.6	0.4
Disbursed to Students	(0.4)	(0.3)
Balance Unspent at 31 July	0.2	0.1

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.

