

The University of Nottingham

Financial statements

For the year ended July 31 2001



THE QUEEN'S AWARDS
FOR ENTERPRISE
INTERNATIONAL TRADE
2001



THE QUEEN'S
ANNIVERSARY PRIZES
FOR HIGHER AND FURTHER EDUCATION
2000

The Council

as at 31 July 2001

President: J R Haylock, BSc, FRSA ^{2,3}

Vice-President: Mrs J Forman Hardy, LLB ^{2,3}

Members ex-Officio

The Chancellor:	Professor Fujia Yang, BSc, DSc, Dhumanities and Letters
The Pro-Chancellor:	A H Hawsworth, TD, DL, MA, FIPD ^{2,3}
The Vice-Chancellor:	Professor Sir Colin Campbell, DL, LLB, FRSA, CIM ^{2,3,4}
The Treasurer:	K Hamill, BA, FCA ^{2,3}
The Pro-Vice-Chancellors:	Professor S H Bailey, MA, LLB ^{2,4}
	Professor B R Clayton, BSc, PhD, DSc, CEng, FIMechE, FRINA ^{2,4}
	Professor D Greenaway, BSc, MCom, DLitt ^{2,4}
	Professor G Pattenden, PhD, DSc, CChem, FRSC, FRS ^{2,4}
	Professor P Ford, MA, CEng, FBCS ^{2,4}

Lay Members Appointed by the Council

T R Angear, BA, MBA
R J Baker, BSc, MS, MBA, PhD, CEng, AImechEng ¹
Lady Buchanan
A Colquhoun, BSc, MBA, PhD ²
J Forman Hardy, LLB ^{2,3}
A Greenwood, BSc, ACA, ATII ²
I Hildyard, BA, Mphil
N A Karimjee, BA, FCA ²
S M Lyons, BSc, FEng ²
K R Whitesides, MBE, LLB, MPhil ¹
M McNamara, BA, MA ¹

Academic Members Appointed by the Senate

Dr B P Atkin, BSc, PHD, CEng, FIMM, FGS ^{2,4}
Dr B S Choo, BSc, PhD ⁴
Professor S Parker, BSc, PhD, Cert Ed, Adv Dip IT, MSc,
ARCS, DIC, T(Tech) ^{2,4}
Professor D S Riley, BSc, PhD ⁴
Professor N Hewitt, BA, PhD ⁴
Dr P E A Smith, BA, Dphil ⁴
Dr C M Wykes, BSc, PhD, MInstP, CPhys ⁴

Lay Members Appointed by Convocation

J K Atherton, BSc, MA
M Curry

Appointed by the Union of Students

A de Sales
E Tatlidil

Secretary

The Registrar: K H Jones, BA, MA ⁴

Bursar: D A Beeby, BSc, FCA ⁴

Director of Finance: M Wynne-Jones, BSc, ACA ⁴

¹ Member of Audit Committee

² Member of Finance & General Purposes Committee

³ Member of Remuneration Committee

⁴ University Employee

Financial Statements for the year to 31 July 2001

Contents

Financial Highlights	2
Treasurer's Report	3 - 4
Corporate Governance	5
Responsibilities of the University's Council	6
Report of the Auditors	7
Statement of Principal Accounting Policies	8 - 9
Consolidated Income and Expenditure Account	10
Statement of Consolidated Total Recognised Gains and Losses	10
Balance Sheets	11
Consolidated Cash Flow Statement	12
Reconciliation of Net Cash Flow to Movement in Net Funds	12
Notes to the Accounts	13 - 24

Financial Highlights

Consolidated Income and Expenditure Account

	2001 £ million	2000 £ million	Change %
Funding Council Grants	68.3	66.2	3.2
Academic Fees and Support Grants	59.4	53.3	11.4
Research Grants and Contracts	58.3	48.2	21.0
Other Operating Income	54.0	47.7	13.2
Endowment Income and Interest Receivable	<u>1.5</u>	<u>1.6</u>	
TOTAL INCOME	<u>241.5</u>	<u>217.0</u>	11.3
NET SURPLUS FOR THE YEAR	<u>1.5</u>	<u>1.3</u>	
Net Cash Flow from Operating Activities	2.6	2.5	
Net Returns on Investments and Servicing of Finance	<u>(1.0)</u>	<u>(0.3)</u>	
NET CASH FLOW BEFORE INVESTING ACTIVITIES	<u>1.6</u>	<u>2.2</u>	
Investing activities include investments in new and refurbished academic and residential buildings.			
Fixed Assets	181.5	160.4	
Endowment Asset Investments	39.8	42.5	
Net Current Liabilities	(17.1)	(10.7)	
Long Term Creditors and Provisions	<u>(40.8)</u>	<u>(37.9)</u>	
Total Assets Less Liabilities	<u>163.4</u>	<u>154.3</u>	

Other Key Statistics

	£ million	£ million	
New Research Grants and Contracts Awarded	<u>80.2</u>	<u>68.3</u>	17.4
	Number	Number	
Number of full-time Students	17,426	16,086	
Total number of students	23,657	22,493	
Number of Subject Areas Rated as Excellent for Teaching	27	24	
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 2001 are summarised in the Financial Highlights shown on page 2 of the Financial Statements. The overall result was a small surplus of £1.5 million. This is a modest improvement on last year where the surplus delivered was £1.3 million after £1.2 million profit on disposal of property. The results continue to reflect significant investments being made in the future of the University with increasing surpluses being planned for the coming years.

The University's total income increased by over 11% for the second year in succession to £241 million. Total expenditure increased by £22.8 million (10.5%), with staff costs increasing by £13.2 million (10.8%) to £135.2 million.

New research grants and contracts awarded during the year increased by over 17% to £80 million. This growth continues the trend of recent years and demonstrates the continuing high standards of research at the University.

Investment Performance

Following a review of investment performance and the balance of the University's equity and fixed interest investments the decision was taken to transfer a proportion of the funds from Schroder Investment Management Limited to Deutsche Asset Management (37.5%) and Barclays Global Investors (25%). The value of the University's total endowment asset investments has reduced by £2.7 million (6%) during the year reflecting the worldwide fall in markets. A full breakdown of the changes is given in Note 12 of the Financial Statements.

Cash Position

The University had a cash outflow of £14.5 million, after £27 million of capital expenditure, reflecting the continued investment in the University's infrastructure and estate. This was partially financed by £11.6 million of capital grants and an additional drawdown of the loan facility of £5 million from National Westminster Bank. This brings the total loan to £40 million, which is repayable over 25 years, with the first repayment having been made on 1 October 2001.

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. At the year end pledges totalling over £28 million have been made towards a demanding target. Over 50% has already been received.

At the Balance Sheet date net cash, short-term deposits and general investment endowments amounted to £11.1 million, and the University had £40.8 million of long term debt.

Capital Projects

The increase of £21 million (13%) in consolidated tangible fixed assets reflects the continuing investment in the University's teaching and research accommodation. Capital commitments contracted at 31 July were £4 million (2000 - £9.9 million).

The University will receive £17.2 million from a HEFCE Science and Technology Research Investment Fund (SRIF). The University itself will contribute another 25% of this figure to take the capital programme up to £22 million. The University submitted a bid for these funds covering seven separate projects, all of which were approved.

Future Developments

The University continues to see its international profile as vital to its continued growth and reputation and this was reinforced and enhanced by the appointment of the distinguished Chinese physicist and academic Professor Fujia Yang as its sixth Chancellor early this year. Professor Yang is a former President of Fudan University in Shanghai and succeeded Lord Dearing as Chancellor.

The University's reputation for research and technology transfer will be bolstered by the continuing investment in multi-disciplinary research and collaboration with industry. Research income will continue to rise as evidenced by the increase in research awards from £68 million in 2000 to over £80 million in 2001.

As part of the Government's initiative to train a thousand more doctors each year the University and its NHS partners are to establish a satellite medical school in Derby with the first students expected to begin their studies in September 2003. HEFCE has announced support for the creation of the new medical school, which will cost around £10 million.

Treasurer's Report – *continued*

The University is a founder member of Universitas 21 (U21), established in 1997 as “an international association of research intensive Universities”. U21 has signed an agreement with Thomson Learning that forms a joint venture to establish a new online University, U21 Global. It will address the estimated \$111 billion global demand for higher education by offering business and technology degrees via the internet, starting in January 2003. Course offerings will receive multi-jurisdictional accreditation from the 15 universities participating in U21 Global. The University's share of the initial equity investment, being approximately £500,000, was made after the year end.

As noted in last year's report the University was selected to host the Government's prestigious National College for School Leadership, co-located with the Jubilee Campus. Construction is well under way with full completion by the end of April 2002. The Government sees the College as a vehicle for offering leadership and vision crucial to raising standards and aspirations in the teaching profession and to equip the nation's school leaders with the right skills to deliver quality education into the 21st century.

The University achieved a credit rating of AA- from Standard & Poor's. The report published on 31 July 2001 stated that the rationale behind the rating reflected:

- a broad course range, high academic standards and a strong reputation, which ensure robust student demand for Nottingham's courses;
- a strong and growing research base;
- a proactive management team that has successfully achieved key operational and financial targets and implemented an extensive capital programme; and
- low debt levels, offset by moderate, albeit improving, net surpluses.

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 of Best Practice in Corporate Governance and is actively reviewing the application and implementation of the Turnbull Guidance including taking into account the requirements regarding Risk Management. 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

The University is in a satisfactory financial position, which is strong compared with the overall University sector. It has continued to make investments in both capital and revenue spend which have supported the work of the University community in developing a high quality institution with an outstanding reputation.

We continue to achieve only small surpluses, although this is after significant discretionary revenue investments. Our borrowings are at acceptable levels, long term and well structured. We, therefore, have considerable flexibility in planning to meet our ambitious goals for continuing the development of the University.

Keith Hamill,
Treasurer
30 October 2001

Corporate Governance

The Council welcomed the report of the Committee on the Financial Aspects of Corporate Governance and its Code of Best Practice on Corporate Governance, particularly as the University is an investor in many listed companies. It also recognises the Accounts Direction Requirements for Risk Management. 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 18 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 meet five 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 and 2 student representatives, 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 comprises 5 lay members and meets at least three times annually, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider detailed 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. It reviews the University's annual financial statements together with the accounting policies and will review the implementation of the University's Risk Management Programme. 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 and Internal 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.

The University has been developing its approach to Risk Management. This is in response to the developments in the corporate sector prompted by the Turnbull Report, now also being applied to public sector bodies. The key requirements and guidance for the Higher Education sector are covered in the HEFCE Accounts Direction issued in November 2000 and the Good Practice Guidance on Risk Management issued in May 2001. During the year the University undertook a high level review of Risk Management and Controls. The key risks facing the University have been identified and recorded in a Risk Register along with ownership, controls in operation and areas for improvement. The University is therefore in a position to comply with the requirements of the Accounts Direction for 2000/01, in that it is establishing the necessary processes to comply with the key principles of Corporate Governance.

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.

Independent Auditor's Report to the Council of the University of Nottingham

We have audited the financial statements which comprise the income and expenditure account, balance sheet, cash flow statement, statement of total recognised gains and losses and related notes, 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 in the Statement of Accounting Policies.

Respective Responsibilities of the Governing Body and Auditors

As described in the statement of the Council's responsibilities, the Council is responsible for the preparation of the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions, applicable law and United Kingdom accounting standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Standards Board.

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 our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied, in all material respects, for the purposes for which they were received, and whether, income has been applied, in all material respects, 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, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Financial Highlights, the Treasurer's Report and the Corporate Governance Statement.

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 2001, 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 1 August 2000 with the Higher Education Funding Council for England.



PricewaterhouseCoopers
Chartered Accountants

Victoria House, 76 Milton Street, Nottingham
30 October 2001

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. Unspent endowments are shown as Endowment Reserves on the Balance Sheet, whilst unspent donations are classed as deferred income. 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.

Statement of Principal Accounting Policies – *continued*

7. Land and Buildings

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.

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.

8. Equipment

Equipment, including computers 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. Liquid Resources

Liquid resources comprise money on short-term deposit with a maturity date less than 90 days as at the balance sheet date.

12. 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.

13. 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 2001

	Note	2000/2001 £m	1999/2000 £m
INCOME			
Funding Council Grants	1	68.3	66.2
Academic Fees and Support Grants	2	59.4	53.3
Research Grants and Contracts	3	58.3	48.2
Other Operating Income	4	54.0	47.7
Endowment Income and Interest Receivable	5	1.5	1.6
		<hr/>	<hr/>
Total Income		241.5	217.0
EXPENDITURE			
Staff Costs	6	135.2	122.0
Depreciation	10	5.7	5.7
Other Operating Expenses	7	96.2	87.2
Interest Payable	8	2.5	1.9
		<hr/>	<hr/>
Total Expenditure	9	239.6	216.8
Surplus for the Year		1.9	0.2
Share of losses in associated company	11	(0.4)	(0.1)
Surpluses on disposal of property		-	1.2
		<hr/>	<hr/>
Net Surplus for year	19	1.5	1.3

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 2001

	Note	2000/2001 £m	1999/2000 £m
Surplus for the Year	19	1.5	1.3
(Depreciation)/Appreciation of Endowment Asset Investments	18	(2.6)	2.6
Net Movement in Retained Endowment Income	18	(0.4)	(0.2)
New Endowments	18	0.3	0.2
		<hr/>	<hr/>
TOTAL RECOGNISED (LOSSES)/GAINS RELATING TO THE YEAR		(1.2)	3.9

Balance Sheet

As at 31 July 2001

		Consolidated		University	
	Note	2001 £m	2000 £m	2001 £m	2000 £m
FIXED ASSETS					
Tangible Assets	10	181.5	160.3	179.5	158.0
Investments	11	0.0	0.1	0.4	0.2
		<u>181.5</u>	<u>160.4</u>	<u>179.9</u>	<u>158.2</u>
ENDOWMENT ASSET INVESTMENTS	12	<u>39.8</u>	<u>42.5</u>	<u>39.8</u>	<u>42.5</u>
CURRENT ASSETS					
Stocks		1.2	1.2	1.1	1.1
Debtors	13	44.2	32.0	60.1	57.0
Short Term Investments		0.3	2.4	0.0	2.0
Cash at Bank and in Hand		<u>0.0</u>	<u>2.2</u>	<u>0.0</u>	<u>1.9</u>
		45.7	37.8	61.2	62.0
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(62.8)	(48.5)	(65.5)	(55.3)
NET CURRENT (LIABILITIES)/ASSETS		<u>(17.1)</u>	<u>(10.7)</u>	<u>(4.3)</u>	<u>6.7</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		204.2	192.2	215.4	207.4
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(40.8)	(37.8)	(50.8)	(50.6)
PROVISIONS FOR LIABILITIES AND CHARGES	16	0.0	(0.1)	0.0	(0.1)
TOTAL NET ASSETS		<u>163.4</u>	<u>154.3</u>	<u>164.6</u>	<u>156.7</u>
DEFERRED CAPITAL GRANTS	17	42.8	32.5	42.8	32.5
ENDOWMENTS					
Specific	18	24.6	26.9	24.6	26.9
General	18	15.2	15.6	15.2	15.6
		<u>39.8</u>	<u>42.5</u>	<u>39.8</u>	<u>42.5</u>
GENERAL RESERVES	19	80.8	79.3	82.0	81.7
TOTAL FUNDS		<u>163.4</u>	<u>154.3</u>	<u>164.6</u>	<u>156.7</u>

The financial statements on pages 8 to 24 were approved by Council on 30 October 2001 and signed on its behalf by:

COLIN M CAMPBELL
Vice Chancellor

NAZIM A 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 2001

	Note	2000/2001 £m	1999/2000 £m
Net Cash Inflow from Operating Activities	23	2.6	2.5
Returns on Investments and Servicing of Finance	24	(1.0)	(0.3)
Capital Expenditure and Financial Investment	25	(16.1)	(23.4)
Cash Outflow before Use of Liquid Resources and Short-term Investments		<u>(14.5)</u>	<u>(21.2)</u>
Management of Liquid Resources		2.1	4.2
Financing	26	4.6	19.5
(DECREASE)/INCREASE IN CASH	27	<u><u>(7.8)</u></u>	<u><u>2.5</u></u>

Reconciliation Of Net Cash Flow To Movement In Net Funds

	2000/2001 £m	1999/2000 £m
(Decrease) /Increase in Cash in the Period	(7.8)	2.5
Decrease in Short Term Investments	(2.1)	(4.2)
Repayment of Debt	0.4	0.5
New Loans	(5.0)	(20.0)
CHANGE IN NET FUNDS	<u>(14.5)</u>	<u>(21.2)</u>
NET FUNDS AT 1 AUGUST	<u>(29.0)</u>	<u>(7.8)</u>
NET FUNDS AT 31 JULY	<u><u>(43.5)</u></u>	<u><u>(29.0)</u></u>

Notes to the Accounts

1. Funding Council Grants	HEFCE 2000/2001 £m	TTA 2000/2001 £m	Total 2000/2001 £m	Total 1999/2000 £m
Recurrent Grants	63.8	1.2	65.0	63.4
Specific Grants	2.0	0.6	2.6	2.1
Deferred Capital Grants Released in Year				
Buildings (Note 17)	0.4	0.0	0.4	0.3
Equipment (Note 17)	<u>0.3</u>	<u>0.0</u>	<u>0.3</u>	<u>0.4</u>
Total from Funding Councils	<u>66.5</u>	<u>1.8</u>	<u>68.3</u>	<u>66.2</u>

2. Academic Fees and Support Grants	2000/2001 £m	1999/2000 £m
Full-time credit bearing courses – home fees	15.9	14.9
Full-time credit bearing courses – international fees	21.7	18.4
Part-time credit bearing courses	2.3	1.7
Other teaching contracts	15.2	14.4
Non credit bearing courses and other fees	<u>4.3</u>	<u>3.9</u>
	<u>59.4</u>	<u>53.3</u>

3. Research Grants and Contracts	2000/2001 £m	1999/2000 £m
Research Councils	18.5	13.5
UK Based Charities	11.6	9.0
Other Grants and Contracts	26.6	24.3
Released from Deferred Capital Grants (Note 17)	<u>1.6</u>	<u>1.4</u>
	<u>58.3</u>	<u>48.2</u>

4. Other Operating Income	2000/2001 £m	1999/2000 £m
Residences, Catering and Conferences	26.4	22.9
Other Services Rendered	11.9	11.5
Health Authorities	4.9	4.8
Released from Deferred Capital Grants (Note 17)	0.2	0.8
Other Income	<u>10.6</u>	<u>7.7</u>
	<u>54.0</u>	<u>47.7</u>

Notes to the Accounts - *continued*

5. Endowment Income and Interest Receivable

	2000/2001 £m	1999/2000 £m
Transferred from Specific Endowments (Note 18)	0.6	0.5
Income from General Endowment Asset Investments (Note 18)	0.4	0.5
Other Interest Receivable	<u>0.5</u>	<u>0.6</u>
	<u>1.5</u>	<u>1.6</u>

6. Staff

	2000/2001 £m	1999/2000 £m
Staff Costs:		
Gross Pay	115.6	104.5
Social Security Costs	8.5	7.7
Other Pension Costs (Note 28)	<u>11.1</u>	<u>9.8</u>
	<u>135.2</u>	<u>122.0</u>

	2000/2001 £000	1999/2000 £000
Emoluments of the Vice Chancellor	<u>149</u>	<u>142</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 £24,165 (1999/2000 - £24,441).

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>0</u>	<u>136</u>
----------	------------

Average Staff Numbers by Major Category:

	Number	Number
Teaching and Research	2,147	1,902
Technical	520	511
Administrative	462	403
Other, including Clerical and Manual	<u>1,740</u>	<u>1,754</u>
	<u>4,869</u>	<u>4,570</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	109	69
£60,000 - £69,999	51	28
£70,000 - £79,999	24	19
£80,000 - £89,999	10	8
£90,000 - £99,999	22	13
£100,000 - £109,999	4	2
£110,000 - £119,999	11	3
£120,000 - £129,999	3	0

Notes to the Accounts - *continued*

7. Other Operating Expenses

	2000/2001 £m	1999/2000 £m
Purchase, Hire and Repair of Equipment	15.3	14.0
Consumables and Laboratory Expenditure	10.1	10.0
Published Materials	2.4	2.9
Travel and Subsistence	6.5	6.2
Professional fees	8.0	7.0
Fellowships, Scholarships, Prizes and Other fees	16.2	13.7
Catering Supplies	4.8	4.3
Repairs and General Maintenance	11.5	11.3
Heat, Light, Water and Power	3.9	3.9
Rent, Rates and Insurance	2.8	2.4
Grants to University of Nottingham Students Union	0.8	0.8
Auditors' Remuneration	0.2	0.4
Training	0.9	1.1
Advertising	1.3	1.5
Other Expenses	11.5	7.7
	<u>96.2</u>	<u>87.2</u>

Auditors' Remuneration includes £30,150 in respect of audit services for the group of which £24,350 relates to the University. (The 1999/2000 expenditure was £25,500 and £20,000 respectively).

8. Interest Payable

	2000/2001 £m	1999/2000 £m
Loans not wholly repayable within five years	2.5	1.7
Finance Leases	0.0	0.2
	<u>2.5</u>	<u>1.9</u>

9. Analysis Of 2000/2001 Expenditure By Activity

	Staff Costs £m	Dep'n £m	Operating Expenses £m	Interest Payable £m	Total £m
Academic Departments	77.2	0.9	23.1	0.0	101.2
Research Grants and Contracts	22.0	1.6	23.6	0.0	47.2
Total Teaching and Research	<u>99.2</u>	<u>2.5</u>	<u>46.7</u>	<u>0.0</u>	<u>148.4</u>
Academic Services	7.7	0.2	7.1	0.0	15.0
Administration	9.9	0.0	8.4	0.0	18.3
Premises	5.6	2.3	12.6	0.0	20.5
Residences, Catering and Conferences	7.3	0.5	13.8	1.6	23.2
Other Expenses	<u>5.5</u>	<u>0.2</u>	<u>7.6</u>	<u>0.9</u>	<u>14.2</u>
Total per Income and Expenditure Account	<u>135.2</u>	<u>5.7</u>	<u>96.2</u>	<u>2.5</u>	<u>239.6</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 2000	159.5	11.0	19.5	6.3	196.3
Additions at Cost	19.9	2.5	4.5	0.0	26.9
Disposals	0.0	0.0	(0.4)	0.0	(0.4)
At 31 July 2001	179.4	13.5	23.6	6.3	222.8
Depreciation					
At 1 August 2000	16.3	0.9	14.8	4.0	36.0
Charge for Year	2.7	0.1	2.6	0.3	5.7
Eliminated on Disposals	0.0	0.0	(0.4)	0.0	(0.4)
At 31 July 2001	19.0	1.0	17.0	4.3	41.3
Net Book Value					
At 31 July 2001	160.4	12.5	6.6	2.0	181.5
At 1 August 2000	143.2	10.1	4.7	2.3	160.3

	UNIVERSITY				
	Land and Buildings Freehold £m	Long Leasehold £m	Equipment £m	Leased Equipment £m	Total £m
Cost					
At 1 August 2000	159.5	11.0	19.5	0.8	190.8
Additions at Cost	19.9	2.5	4.5	0.0	26.9
Disposals	0.0	0.0	(0.4)	0.0	(0.4)
At 31 July 2001	179.4	13.5	23.6	0.8	217.3
Depreciation					
At 1 August 2000	16.3	0.9	14.8	0.8	32.8
Charge for Year	2.7	0.1	2.6	0.0	5.4
Eliminated on Disposals	0.0	0.0	(0.4)	0.0	(0.4)
At 31 July 2001	19.0	1.0	17.0	0.8	37.8
Net Book Value					
At 31 July 2001	160.4	12.5	6.6	0.0	179.5
At 1 August 2000	143.2	10.1	4.7	0.0	158.0

Notes to the Accounts - *continued*

11. Investments

	Consolidated		University	
	2001 £m	2000 £m	2001 £m	2000 £m
Subsidiary Companies	0.0	0.0	0.4	0.1
Associated Companies	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>
	<u>0.0</u>	<u>0.1</u>	<u>0.4</u>	<u>0.2</u>

The increase in the University's investments of £0.3million represents an additional investment in Notice.

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 (Notice)	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 £m
As at 1 August 2000	0.1
Shares acquired in University of Nottingham in Malaysia	0.3
Group's share of retained losses	<u>(0.4)</u>
As at 31 July 2001	<u>0.0</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. The University's total investment in UNiM is £0.5 million. In the books of the University this has been written down to reflect a carrying value in line with that in the consolidated accounts.

12. Endowment Asset Investments

	Consolidated and University £m
Balance at 1 August 2000	42.5
Additions	44.1
Disposals	(43.0)
Depreciation on Disposals/Revaluation	(2.6)
Decrease in Cash Balances held at Fund Managers	<u>(1.2)</u>
Balance at 31 July 2001	<u>39.8</u>
Represented by:	
Fixed Interest Stocks	2.5
Equities	31.3
Land and Property	2.8
Cash Balances (Note 27)	<u>3.2</u>
	<u>39.8</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	
	2001 £m	2000 £m	2001 £m	2000 £m
Amounts falling due within one year:				
Debtors	21.6	14.8	20.2	13.8
Amounts due from Subsidiaries	0.0	0.0	17.4	26.0
Prepayments and accrued income	22.6	17.2	22.5	17.2
	<u>44.2</u>	<u>32.0</u>	<u>60.1</u>	<u>57.0</u>

14. Creditors: Amounts Falling Due Within One Year

	Consolidated		University	
	2001 £m	2000 £m	2001 £m	2000 £m
Bank Overdraft	4.4	0.0	4.5	0.0
Obligations under Finance Leases (Note 20)	0.2	0.2	0.0	0.0
Secured Loans (Note 15)	1.6	0.0	1.6	0.0
Payments Received in Advance	1.3	1.1	1.1	0.9
Creditors	5.2	5.4	4.9	6.7
Social Security and Other Taxation Payable	5.4	6.9	5.8	5.1
Amounts due to Subsidiaries	0.0	0.0	3.7	7.9
Accruals and Deferred Income	44.7	34.9	43.9	34.7
	<u>62.8</u>	<u>48.5</u>	<u>65.5</u>	<u>55.3</u>

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

	Consolidated		University	
	2001 £m	2000 £m	2001 £m	2000 £m
Loans from subsidiary companies	0.0	0.0	12.4	15.6
Secured loans	38.4	35.0	38.4	35.0
	<u>38.4</u>	<u>35.0</u>	<u>50.8</u>	<u>50.6</u>
Obligations under Finance Leases (Note 20)	<u>2.4</u>	<u>2.8</u>	<u>0.0</u>	<u>0.0</u>
	<u>40.8</u>	<u>37.8</u>	<u>50.8</u>	<u>50.6</u>

The loan is with National Westminster Bank and is repayable on a straight-line basis over 25 years with interest charged at LIBOR plus 0.5%. The first repayment of £1.6 million was made on October 1 2001. The loan is secured against the Jubilee Campus.

16. Provisions For Liabilities And Charges

	Consolidated and University £m
At 1 August 2000	0.1
Utilised/Released in Year	<u>(0.1)</u>
At 31 July 2001	<u>0.0</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 2000			
Buildings	21.1	9.6	30.7
Equipment	<u>0.6</u>	<u>1.2</u>	<u>1.8</u>
Total	<u>21.7</u>	<u>10.8</u>	<u>32.5</u>
Grants Received			
Buildings	4.3	5.5	9.8
Equipment	<u>0.7</u>	<u>2.3</u>	<u>3.0</u>
Total	<u>5.0</u>	<u>7.8</u>	<u>12.8</u>
Released to Income and Expenditure			
Buildings (Notes 1 and 4)	(0.4)	(0.5)	(0.9)
Equipment (Notes 1, 3 and 4)	<u>(0.3)</u>	<u>(1.3)</u>	<u>(1.6)</u>
Total	<u>(0.7)</u>	<u>(1.8)</u>	<u>(2.5)</u>
At 31 July 2001			
Buildings	25.0	14.6	39.6
Equipment	<u>1.0</u>	<u>2.2</u>	<u>3.2</u>
Total	<u>26.0</u>	<u>16.8</u>	<u>42.8</u>

18. Endowments

	Consolidated and University		
	Specific £m	General £m	Total £m
At 1 August 2000	26.9	15.6	42.5
Additions	0.2	0.1	0.3
Depreciation of Endowment Asset Investments	(2.1)	(0.5)	(2.6)
Income for Year	0.2	0.4	0.6
Transferred to Income and Expenditure Account	<u>(0.6)</u>	<u>(0.4)</u>	<u>(1.0)</u>
At 31 July 2001	<u>24.6</u>	<u>15.2</u>	<u>39.8</u>
Representing:			
Fellowships and Scholarships Funds	3.2	0.0	3.2
Prizes Funds	0.9	0.0	0.9
Chairs and Lectureships Funds	13.1	0.0	13.1
Other Funds	<u>7.4</u>	<u>15.2</u>	<u>22.6</u>
	<u>24.6</u>	<u>15.2</u>	<u>39.8</u>

Notes to the Accounts - *continued*

19. General Reserves

	UNIVERSITY			
	Consolidated £m	Total £m	Revenue Reserves £m	Capital Reserve £m
Balance at 1 August 2000	79.3	81.7	21.6	60.1
Transfers from Surplus for the Year	1.5	0.3	0.3	0.0
Other Transfers	0.0	0.0	(4.1)	4.1
Balance at 31 July 2001	<u>80.8</u>	<u>82.0</u>	<u>17.8</u>	<u>64.2</u>

The University's individual Income & Expenditure Account and related notes have been excluded from these financial statements because the results are included in the Consolidated Income & Expenditure Account. The surplus for the year was £0.3 million.

20. Lease Obligations

	Consolidated		University	
	2001 £m	2000 £m	2001 £m	2000 £m
Obligations under finance leases fall due as follows:				
Between two and five years	1.0	0.9	0.0	0.0
Over five years	<u>1.4</u>	<u>1.9</u>	<u>0.0</u>	<u>0.0</u>
Total over one year (Note 15)	2.4	2.8	0.0	0.0
Within one year (Note 14)	<u>0.2</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>
	<u>2.6</u>	<u>3.0</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	0.1	0.0	0.1	0.0
Between two and five years	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>
	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>

21. Capital Commitments

	Consolidated		University	
	2000 £m	1999 £m	2000 £m	1999 £m
Commitments contracted at 31 July	<u>4.0</u>	<u>9.9</u>	<u>4.0</u>	<u>9.9</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 are 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 management fee. Certain costs incurred by both the University and UNiM are rechargeable to the other institution in accordance with a signed agreement. During the year, net costs amounting to £339,000 were recharged by the University to UNiM, in addition £49,000 has been accrued in relation to the management fee. Additional share capital of £0.3m has also been invested by the University during the year with a further investment in share capital of £0.5m after the year end.

Notes to the Accounts - *continued*

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

	2000/2001 £m	1999/2000 £m
Surplus for the Year	1.5	1.3
Depreciation (Note 10)	5.7	5.7
Loss on disposal of Fixed Assets	0.0	0.1
Surplus on disposal of Properties	0.0	(1.2)
Share of losses in associated company	0.4	0.1
Deferred Capital Grants Released to Income (Note 17)	(2.5)	(2.9)
Investment Income (Note 5)	(1.5)	(1.6)
Interest Paid	2.5	1.9
Net Donated Income Retained in Specific Endowments	(0.4)	0.3
Decrease in Stocks	0.0	0.1
Increase in Debtors	(11.0)	(4.8)
Increase in Creditors	8.0	3.8
Decrease in Provisions	(0.1)	(0.3)
	<u>2.6</u>	<u>2.5</u>
Net Cash Inflow from Operating Activities	<u>2.6</u>	<u>2.5</u>

24. Returns On Investments And Servicing Of Finance

	2000/2001 £m	1999/2000 £m
Income from Endowments	1.0	1.0
Other Interest Received	0.5	0.6
Interest Paid	(2.5)	(1.9)
	<u>(1.0)</u>	<u>(0.3)</u>
Net Cash Outflow from Returns on Investments and Servicing of Finance	<u>(1.0)</u>	<u>(0.3)</u>

25. Capital Expenditure And Financial Investment

	2000/2001 £m	1999/2000 £m
Payments to Acquire Tangible Assets	(26.9)	(30.5)
Payments to Acquire Endowment Asset Investments (Note 12)	(44.1)	(11.3)
Total Payments to Acquire Fixed and Endowment Asset Investments	<u>(71.0)</u>	<u>(41.8)</u>
Receipts from Sales of Endowment Assets (Note 12)	43.0	11.9
Receipts from Sales of Properties	0.0	0.7
Deferred Capital Grants Received	11.6	5.6
Endowments Received (Note 18)	0.3	0.2
	<u>(16.1)</u>	<u>(23.4)</u>
Net Cash Outflow from Investing Activities	<u>(16.1)</u>	<u>(23.4)</u>

Notes to the Accounts - *continued*

26. Analysis Of Changes In Consolidated Financing During The Year

	Finance Total £m	Leases £m	Mortgages and Loans £m
Balances at 1 August 2000	<u>38.0</u>	<u>3.0</u>	<u>35.0</u>
New Leases/Loans	5.0	0.0	5.0
Capital Repayments	<u>(0.4)</u>	<u>(0.4)</u>	<u>0.0</u>
Net Amount Repaid in Year	<u>4.6</u>	<u>(0.4)</u>	<u>5.0</u>
Balances at 31 July 2001	<u><u>42.6</u></u>	<u><u>2.6</u></u>	<u><u>40.0</u></u>

27. Analysis Of Changes In Net Funds

	At 1 August 2000 £m	Cash Flows £m	At 31 July 2001 £m
Cash			
Endowment Asset Investments (Note 12)	4.4	(1.2)	3.2
Cash at Bank and in hand	2.2	(6.6)	(4.4)
	<u>6.6</u>	<u>(7.8)</u>	<u>(1.2)</u>
Short Term Investments	2.4	(2.1)	0.3
Debt due within one year	(0.2)	(1.6)	(1.8)
Debt due after one year	<u>(37.8)</u>	<u>(3.0)</u>	<u>(40.8)</u>
	<u><u>(29.0)</u></u>	<u><u>(14.5)</u></u>	<u><u>(43.5)</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). 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.

USS

The institution participates in the Universities Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 1999. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.6% per annum and pensions would increase by 2.6% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 5.5% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.5% per annum and pensions would increase by 2.5% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £18,870 million (including an estimated £55 million in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £17,427 million leaving a surplus of assets of £1,443 million. The assets therefore were sufficient to cover 108% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16.3% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 2.3% for the period of 11 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £561 million of the surplus. It was also agreed, following the valuation, that £201 million of the surplus would be used to fund certain benefit improvements. This left a past service surplus of £681m (including the Supplementary Section) to be carried forward.

Surpluses or deficits which, arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2002 when the above rates will be reviewed.

CPAS

The University operates a defined benefit scheme the University of Nottingham Contributory Pension and Assurance Scheme (CPAS). A full actuarial valuation was carried out at 31 July 2000. The results of that valuation have been projected to 31 July 2001. The major assumptions used by the actuary for FRS 17 purposes were:

Salary scale increases per annum		3.75%
Pension increases per annum		3.0%
Discount rate		6.25%
Inflation		2.75%
Market value of assets at 31 July 2001		£55.8m
<i>Analysed</i>	<i>Long term rate of return</i>	
<i>Equities</i>	7.25%	£44.6m
<i>Bonds</i>	5.25%	£8.9m
<i>Cash</i>	5.25%	£2.3m

If the Pension Scheme had been recognised in the Financial Statements, the University's net assets and reserves at 31 July 2001 would be increased by £0.6 million.

Notes to the Accounts - *continued*

The proportion of members' accrued benefits covered by the value of the assets at the July 200 Actuarial date was 124%. The contribution rate payable by the University was 7.04%.

The total pension cost for the University and its subsidiaries was:	2000/2001	1999/2000
	£m	£m
Contributions to USS	9.3	8.2
Contributions to CPAS	1.4	1.2
Contributions to Other Pension Schemes	<u>0.4</u>	<u>0.4</u>
Total Pension Cost (Note 6)	<u>11.1</u>	<u>9.8</u>

29. Access Funds

	2000/2001	1999/2000
	£000	£000
Balance at 1 August	0.3	0.1
Funding Council Grants	<u>0.4</u>	<u>0.6</u>
	0.7	0.7
Disbursed to Students	<u>(0.5)</u>	<u>(0.4)</u>
Balance Unspent at 31 July	<u>0.2</u>	<u>0.3</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.



The University of Nottingham
University Park
Nottingham
NG7 2RD

Telephone: 0115 951 5765

Fax: 0115 951 5733

E-mail: philip.dalling@nottingham.ac.uk

