



The University of
Nottingham

Global Assets

Financial Statements
for the year ended 31 July 2009

The Council

As at 31 July 2009

President and Pro-Chancellor

K Hamill

Vice-President

M McNamara

Members ex-Officio

The Chancellor: Professor Yang Fujia
 Pro-Chancellor: Dr Hamid Mughal
 The Vice-Chancellor: Professor David Greenaway*
(appointed Vice-Chancellor 1 October 2008)

The Treasurer: J Mills
 Pro-Vice-Chancellors: Professor K Cox*
 Professor A H Dodson*
 Professor C T Ennew*
 Professor D S Riley *
 Professor C D Rudd*
 Professor R Webb*

*university employee

External members appointed by the Council

L Bainton
 R Bayman
 D Garnham
 A Greenwood
 N Puri
 J Robinson
 B Rossiter
 S Russell
 J Saunders
 M Suthers OBE
 A Wilkinson

Academic members appointed by the Senate

Dr M Brechtken
 Professor D Clarke
 Professor M L Clarke
 Dr M J Clifford
 Professor C Hall
 Professor R Lloyd
 Professor P J Olleson
 Professor J Still

Alumni Representatives

N Watkinson
 L Wilson

Appointed by the Union of Students

N Edung
 C Cox

Senior officers

The Registrar: Dr P Greatrix (Secretary to Council)
 Chief Financial Officer: C Thompson
 Director of Finance: M Wynne-Jones

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Vice-Chancellor's welcome

In many ways, this has been an exceptional year for The University of Nottingham. The outcome of the Research Assessment Exercise 2008 was a resounding endorsement of the excellence of our research across all major disciplines, from the arts and social sciences through to medicine, science and engineering. Nottingham's outstanding performance in RAE 2008 saw more than 90% of research defined as of international quality, with almost 60% defined as 'world-leading' or 'internationally excellent'.

In the subsequent funding settlement from the Higher Education Funding Council for England, we received the biggest resource increase of any English university (a 23.6% rise in research funding), ensuring we can maintain a high level of investment and deepen our commitment to world-changing research. Nottingham has some of the most talented academics in the world driving forward research to help to tackle the key challenges of the 21st century – in bioenergy, hydrogen fuel technology, carbon capture and storage, sustainable construction, food security and many other areas.

This year saw Nottingham named as 'Entrepreneurial University of the Year' by *Times Higher Education*. The judges praised the 'breadth and depth' of our entrepreneurial activity and said the University was 'committed to nurturing the most enterprising and globally-minded graduates in British higher education'. The award is a fitting tribute to the pioneering role we play in the sector and to our willingness to embrace new challenges.

Nowhere is this more evident than in our international strategy, which has seen the successful development of The University of Nottingham Ningbo, China, and University of Nottingham Malaysia Campus. I was delighted earlier this year to welcome students from both to University Park in Nottingham for our inaugural Tri-Campus Games. The event was a great success and will be the first of many, inspiring more of our students to take advantage of the opportunities afforded by a truly international institution.

Our overseas campuses go from strength to strength, with more than 7,500 students now studying for Nottingham degrees in Ningbo, China, and Semenyih, Malaysia. The research base is growing at a rapid pace at both, with research programmes established in engineering, pharmacy, economics, business, crop science and the built environment. The Centre for Sustainable Energy Technologies in Ningbo – an exemplar building that provides a base for research as well as demonstrating key principles of sustainable living – has already received design accolades in both China and Europe.

We are also leading the way on sustainable construction and cutting-edge architectural design in Nottingham. The latest phase of the Jubilee Campus – which is regenerating a brownfield site formerly occupied by Raleigh – was singled out as the higher education sector's 'Estates Initiative of the Year' at the first ever *Times Higher Education* Leadership & Management Awards. One pioneering element of this development is that all of the new buildings' heating and cooling requirements are met from the campus lake.

It was also immensely gratifying to receive a seventh consecutive Green Flag award for University Park, reflecting superb standards of horticulture and sustainability.

The institution has a truly global outlook, but we have never forgotten that we are a fundamental part of our local community. The opening of the Nottingham University Samworth Academy, in the Bilborough area of Nottingham, is a significant milestone and a clear sign of our commitment to widening participation. The Academy will transform the educational opportunities available to thousands of young people in the years to come.

We are blessed with an incredibly diverse student body, united in their talent and resourcefulness, who are among the most sought-after in the country. They perform superbly in academic terms while finding time to do amazing things for the good of others. It is no surprise that they have broken – yet again – their own record for charitable fund-raising this year, with Karni bringing in more than £750,000 for good causes.

The economic situation has presented challenges over the year and will continue to do so. No organisation is immune – which is why we are moving decisively to safeguard the future of the university. We have a huge opportunity, and I am confident that with the right balance of savings and investment, we will be one of the strongest-placed UK universities as the global economy begins to recover. I look forward to working with colleagues in the coming year as we rise to that challenge.



Professor David Greenaway,
Vice-Chancellor

Treasurer's report

Introduction

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

Financial highlights

	2009 £m	2008 £m	Change %
Funding body grants	135	126	6
Tuition fees and education contracts	146	127	15
Research grants and contracts	93	84	12
Other income	86	79	9
Total income	460	416	11
Surplus for the year	13	7	
Total net assets	259	269	

Business overview

The University of Nottingham continues to be one of the leading research and teaching institutions in the world and with its two overseas campuses was described by the Times as “the nearest Britain has to a truly global university”.

The University has continued to meet its planned objective of returning increased levels of surplus. The investment into the core activities has delivered the anticipated success with continued strong student applications and an excellent outcome from the 2008 Research Assessment Exercise, where the University gained the largest increase of quality related research (QR) income within the sector.

The overall result was a net surplus of £13million compared to £7million last year. The operating surplus is above that budgeted despite the higher than budgeted pay award in October 2008. Strong management of all costs has allowed the University to exceed its target.

Growth in income continues to be consistent across all categories reaching £460million, an increase of 11%. The increase in tuition fees arising from the full implementation of student contributions and continued international growth means this is now the largest income stream to the University, now exceeding funding body grants. Research awards for the year achieved a new record of £140million and with student applications remaining strong income is forecast to continue to grow over the coming years.

Given the University's excellent results and whilst recognising the challenges ahead, management have decided to earmark up to £4million of the surplus to pump-prime its soon to be launched development campaign. The campaign money will be used to fund strategic initiatives across the University including Chair appointments and student scholarship.

Environment and risks

This year's planning process was undertaken during a period of significant economic uncertainty and the need to build contingency in plans was highlighted, particularly with the increasing number of major financial variables that the University could face. Management have recognised that savings are required to meet the challenges, mitigate those risks and deliver the desired investment plans. Key considerations in this year's planning round were:

- The University's excellent performance in the 2008 Research Assessment Exercise resulting in over £9million additional QR income to that assumed last year. This ranked the University 7th in “Research Power” – the target is to move into the top five.
- Research margins have continued to improve and a strong order book provides some security over future income and activity.
- HEFCE have made only limited funds available for student growth, which places restrictions on the University's plans for expansion in selected areas.
- Government has announced that it will seek to claw back any excess payments it makes in respect of undergraduate student support from HEFCE compared to its calculations. If this occurs HEFCE will probably target claw back at universities who have increased their recruitment year-on-year. This therefore restricts our ability to take fees-only students.

Treasurer's report *continued*

- The University has taken the opportunity to introduce more prudent postgraduate targets for the coming years and has consequently reassessed targets, particularly regarding international post-graduate taught students where world-wide competition continues to increase.
- The October 2008 pay award of 5% increased costs significantly, although this has been absorbed into this year, the increase in the underlying cost base puts pressure on all budgets.
- Increasing pension costs – see below.
- Energy costs have risen sharply but are now beginning to stabilise.
- Forecast return from Nottingham Hospitality is under pressure, reflecting the increased competition and difficult economic conditions.
- Current low interest rates and lower short term debt have delivered savings.

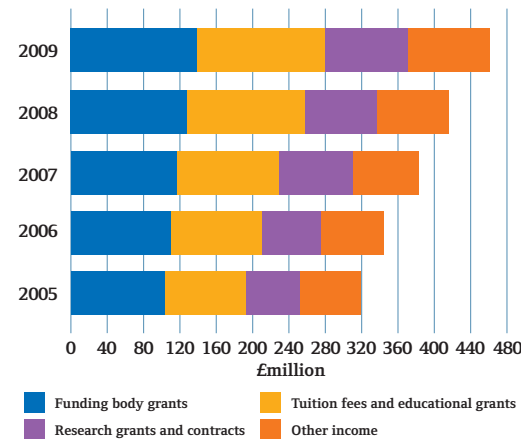
As was reported last year both overseas campuses have moved into surplus and are on course to achieving the initial target of 4,000 students at each. Negotiations are therefore underway with the respective partners in China and Malaysia regarding the future strategies and development of both campuses, including improving the medium term capital base of both campuses.

The two major pension schemes both published their latest actuarial valuations during the year. As expected both reported increased deficits. For CPAS the deficit increased to £51million. Additional employer contributions have been agreed between the Trustees and the University within a recovery plan that aims to eliminate the deficit over 12 years. For USS increased employer contributions of 2% from October 2009 have been accepted but a more fundamental review of the Scheme is being undertaken to ensure its long term sustainability.

The increase in the FRS17 pension deficit by £22million results in a reduction in the total net assets of the University since last year of £10million.

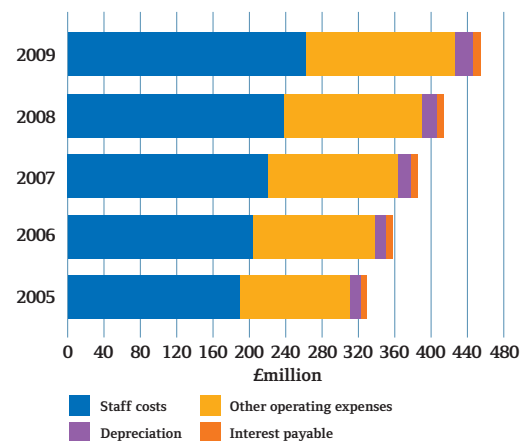
Income analysis

As noted above tuition fees are now the largest income stream representing nearly 32% of total income.



Expenditure analysis

Staff costs represent nearly 58% of University total costs but over 70% within Academic departments and Research. Growth in income has exceeded the rise in salary costs over the recent years but this continues to be a major challenge and a structured process is in place to manage employment costs over the medium term.



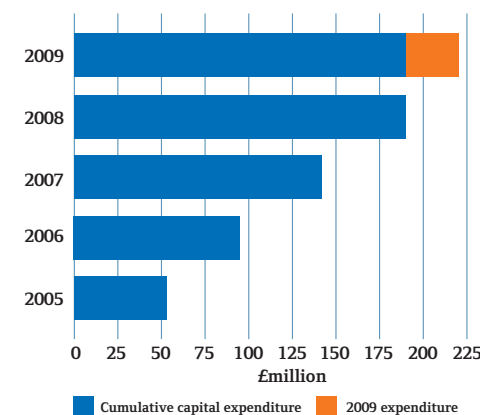
Capital expenditure

The University has invested consistently in its teaching and research infrastructure and student facilities, averaging over £40million per annum over the last five years albeit investment in 2009 was below average at £29million.

The largest spend during the year has been the continued development of the Jubilee Campus including the construction of the Nottingham Geospatial Building due to be completed in October 2009. His Royal Highness The Duke of Gloucester KG GCVO visited The University of Nottingham to officially open the newly-expanded Jubilee Campus. His Royal Highness was the guest of honour at the opening ceremony for Phase II of the campus, a £30million development that has transformed a former brownfield site and is the culmination of a significant project to expand the campus, adding architecturally stunning buildings that broaden the range of activity at the Campus and build on the University's commitment to modern, sustainable design. In August 2009, the University exchanged contracts on two further plots of land totaling over eight acres adjacent to the Jubilee Campus for a cost of £8million. This will allow for continued expansion of the Campus and enhancement of the area.

Further developments have been completed at Sutton Bonington with the extension to the Veterinary laboratories and at University Park with a new all weather sports pitch.

The total capital expenditure was funded by £13million of capital grants, £1million from asset sales, with the balance from working capital.



Cash flow from operating activities was strong at £39million, double that of the previous year, with a net cash inflow of £20million (2008: £9million outflow) after capital expenditure and other items but before financing.

At 31 July 2009 the University had loans of £48million off-set by £7million of cash and short-term deposits, giving a net of £41million compared to £60million last year.

The University has a committed facility to borrow up to £125million. The University's loans with the Royal Bank of Scotland are at a rate linked to LIBOR but to reduce the downside risk of increasing interest rates has two interest rate caps in place, totalling £20million. The University has the ability to drawdown and repay its borrowings as required to manage its cash requirements. The University's approach is to minimise its borrowings thereby carrying limited cash reserves. Any surplus cash is only invested for short periods, usually days with counterparties approved by the University's Finance Committee, with a maximum of £10million being deposited with any counterparty.

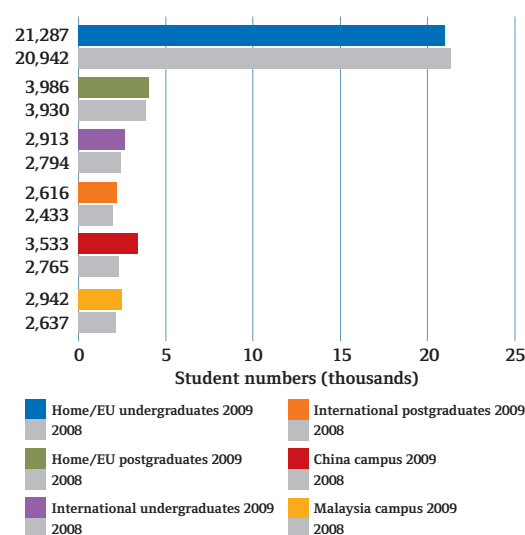
Returns on Endowment investments reflect the poor economic environment. The University will soon launch a campaign to grow these funds to support its future development.

Treasurer's report *continued*

Student analysis

Student growth reflects the investment in the core infrastructure both at the campuses in the UK and overseas in Malaysia and China. Total students registered in 2009 were nearly 37,000, with 20% being postgraduate students across all campuses. The biggest increase has been the number of students at the overseas campuses where both have seen numbers rise from approximately 2,700 last year to 2,900 in Malaysia and 3,500 in China, increasing further to a total over 7,500 with the current student intake.

As noted above, competition is increasing, particularly in the postgraduate market, from other European universities and this highlights the need to maintain the quality of the student offering – monitoring feedback both internally and from the National Student Survey is therefore important. The most recent report showed positive trends for the University. Improved scores were received across all question areas, with the overall satisfaction mark now being above the averages for both the Russell Group and All Universities.



Key achievements

The University of Nottingham is a global-leading, research-intensive university with campuses in the UK, Malaysia and China. Our reputation for world-class research has yielded major scientific breakthroughs such as Nobel prize winning MRI techniques, drug discovery, food technologies and engineering solutions for future economic, social and cultural progress.

We work with global businesses and regional enterprises to drive innovation into the marketplace, powering leading edge technologies in transportation and communications through to developing drugs, medicines and devices for healthcare. We are working for a sustainable future and seeking new alternatives for energy in our homes, transportation and businesses in the increasingly vital global challenge of combating climate change.

At the heart of everything we do is our commitment to meet the future research needs of society, industry and government.

Already ranked among the UK's elite universities and global polls for research excellence, our reputation for world-class research has been further enhanced with the 2008 results of the Research Assessment Exercise (RAE).

RAE is the UK's definitive guide to research quality and excellence, ranking all universities on research strength and rating the academic disciplines they submit on the basis of their international standing.

Measured by means of quality – averaging the research carried out within a discipline – and research power – taking into account both quality and the number of academics within a discipline – Nottingham's status was again confirmed as a world-class institution.

In addition to scoring highly in quality rankings covering major disciplines in science, engineering, the social sciences, medicine, business and the arts. It is Nottingham's increase in research power rankings which demonstrates the impressive volume of excellent research which is carried out. We are now ranked in the Top seven of all British universities and are one of only two institutions to move into the UK Top 10 since 2001 – an increase of seven places, making us the highest mover of any university.

Recently published data on Research Council success rates for 2008/9 showed The University of Nottingham fourth in terms of overall awards received and first in relation to BBSRC and fourth with EPSRC. Our overall success rate of 29% compared with 23% for all institutions and 25% for the top 20.

The University of Nottingham Innovation Park welcomed prestigious new residents to its award-winning Sir Colin Campbell Building in June. The dramatic building, set in a 12-acre site adjacent to the University's Jubilee Campus, is now home to the East Midlands regional offices for Ordnance Survey and the Institution of Civil Engineers.

The University of Nottingham is to share in £6.9million of research funding to investigate carbon capture and storage (CCS) technologies which could drastically cut CO₂ emissions from fossil-fuel power stations. The funding from E.ON and the Engineering and Physical Sciences Research Council is to support four university-led projects. CCS is a process that allows carbon dioxide to be captured from power stations and then stored underground to prevent it from entering the Earth's atmosphere. It is a technology that is advancing all the time and could well make fossil-fuelled generation a true low-carbon source of energy. Project teams led by the universities of Nottingham, Newcastle, Edinburgh and Leeds will investigate combustion and CO₂ capture and transport technologies that could help make a crucial step towards meeting UK and global emission reduction targets.

Global energy company BP plc has invested £750,000 in The University of Nottingham to support students over the next three years. Hundreds of undergraduates and postgraduates at the University will benefit from scholarship awards to help them reach their potential and achieve excellence in a range of academic fields.

Many scholarship recipients will be the first in their family to have entered higher education; others will be awarded on the basis of outstanding academic achievement, through the BP International Scholarship Programme at The University of Nottingham

Credit rating

The University maintained its AA- Credit Rating from Standard & Poor's, announced in July 2009. The Agency noted its major rating factors as:

Strengths:

- High academic entry standards and strong student demand
- Large student base of approximately 30,000 on its UK campus, with diverse academic offering
- Regulatory and financial UK government support
- Strong and improved research profile relative to other UK universities.

Weaknesses:

- Expected reductions in public sector funding
- Small level of cash reserves, with dependence on committed facilities offered by one lender.

Compliance

The University is committed to following best practice in all aspects of corporate governance. This year's statement appears on page 10.

Conclusion

The University has had a very successful year, delivering a strong surplus and reducing debt whilst continuing to invest for the future. The University recognises the challenges faced within the sector but is well positioned, with developed strategies to meet those challenges and to continue to deliver excellence in teaching, research and the student experience.

John Mills,
Treasurer and Chair of Finance Committee
27 October 2009

Governance

Responsibilities of the University's Council and structure of corporate governance.

The University is a corporation formed by Royal Charter with charitable status. The Council is the University's governing body and, 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 University is committed to best practice in corporate governance. The Council notes the Combined Code on Corporate Governance and the HEFCE Accounts Direction requirements. In addition the University has had regard to the Governance Code of Practice and General Principles (the Code) published by the Committee of University Chairs (CUC). In response to the Code and in accordance with overall good governance the Council periodically reviews the role of Council and its effectiveness. When last reviewed, in 2005 Council was satisfied that its governance arrangements were well aligned with the Code and there were no significant omissions. The latest Council Effectiveness Review is due to conclude in late 2009.

In order to comply with the Code the Council approved its Statement of Primary Responsibility as follows:

This Statement has been drawn up taking account of the best practice guidance of the CUC General Principles of Governance.

It reflects the primary provisions of the University's Charter and the formal powers of the Council contained in Statutes Section 20.

The Council is the governing body of the institution and in exercising its role and powers undertakes to meet the obligations placed upon the institution by the founding Charter of the University. This establishes the University as both a teaching and examining body providing education in various branches of learning as determined by the institution and as a body making provision for research and dissemination of knowledge. The Council has the responsibility for the conduct of all the affairs of the University and in so doing upholds the principle that access to the University shall be open to all persons regardless of gender, belief or origin. The University's aspirations are expressed in the statement of aims and objectives contained in the institutional plan and the Council, in approving it, remains mindful of the requirements of the Charter. The following provisions contain the primary functions and

responsibilities of the Council, reflecting the overarching requirements of the Charter.

- To approve the strategic plan of the University including long term academic and business plans.
- To be the principal financial authority of the institution and to ensure that accounts are maintained.
- To exercise overall responsibility for the University's assets and properties. To act as trustee for any bequest, endowment or gift or similar made to further the aims of the University.
- To appoint the head of the institution who will act as Chief Executive in all academic and management matters.
- To enter into contracts and legal commitments exercising the legal authority of the institution including contracts of employment with staff.
- To receive indicators of institutional performance against approved plans.
- To ensure that control, monitoring and assurance systems are in place and reviewed from time to time.
- To act at all times in the best interests of the institution and to maintain high standards of conduct in accordance with relevant codes, acting at all times in accordance with the constitutional provisions contained in the University's Charter and Statutes.
- To undertake reviews of its performance as governing body from time to time through such mechanisms as are appropriate.

The Council of the University comprises the Chancellor, Vice-Chancellor, up to 18 external, two student and 14 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 Higher Education Funding Council for England (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 five times a year and has several Committees, all of which are formally constituted with terms of reference. The key Committees are noted below.

The Finance Committee, which comprises 12 members of whom seven are external members and one the Students' Union President, 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 16 members of whom nine are external members, advises the executive and Council on the University's overall objectives and priorities and the strategies and policies to achieve them. The Council Nominations Committee considers nominations for vacancies in the Council membership under the relevant Statute. The Audit Committee comprises six external members and 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 risk management, internal control and governance, together with management's response and implementation plans. It also receives and considers reports from the HEFCE as they affect the University's business. It considers the form of the annual report on Corporate Governance together with the accounting policies and reviews the implementation of risk management within the University. 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.

The Remuneration Committee, which comprises five senior external officers and the Vice-Chancellor, determines the salaries of Professors and Senior Officers of the University. The salary of the Vice-Chancellor is determined by the external officers of the Committee. The Equality and Diversity Committee (which reports also to Senate) is responsible for defining the overall equality and diversity goals of the University, taking account of legal obligations and best practice. It is chaired by a external member with a further external member, Students' Union representative and five University members.

The Safety Committee comprises 15 representatives from academic schools and central support service departments and two members from the Students' Union. Its terms of reference are to formulate safety and environmental policies in order to ensure that the University meets all legislative requirements and best practice standards, and to promote and monitor effective implementation of those policies.

Day-to-day management of the University is via the Management Board, comprising the Vice-Chancellor, the six Pro-Vice-Chancellors, the Chief Financial Officer and the Registrar. Management Board acts as an executive committee and normally meets weekly to consider the strategic and financial direction of the University. The Vice-Chancellor is the principal academic and administrative officer of the University. The Pro-Vice-Chancellors have specific responsibilities for major policy areas, whilst responsibility for administrative services is shared between the Registrar and the Chief Financial Officer. Council and the Strategy and Planning Committee are kept informed of the key decisions and discussions of Management Board including via the Vice-Chancellor's statement, which is also given to the University's Senate meetings.

Senate, which comprises senior academics from across the University, meets three times a year. Inter alia, it has the power, subject to the Statutes and Ordinances, to direct and regulate the instruction and teaching within the University and the examinations held and to promote research within the University and to require reports from time to time of such research. As noted above the University Council comprises more members than the maximum number of 25 identified in the CUC Code as a benchmark of good practice. Council noted in 2005 that a small reduction in the size of Council would not make any significant difference and that a major change would be difficult to implement at that time, but determined that the size of the Council would continue to be considered in light of any further advice or changes. This matter remains under consideration.

Governance *continued*

Statement of internal control

Council as the governing body of The University of Nottingham has responsibility for ensuring that a sound system of internal control is maintained which supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

As noted above, the Council has responsibility for reviewing the effectiveness of the system of internal control and risk management and in undertaking that responsibility the following processes have been established:

- Regular meetings of Council consider the plans and strategic direction for the institution, advised by its key Committees, as noted above
- The Audit Committee has been requested to provide oversight of risk management. This provides a formalised reporting and appraisal mechanism in addition to management reports noted above
- The Audit Committee receives regular reports from the Head of Internal Audit, together with recommendations for improvement. This includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the institution's systems of risk management, internal control and governance

- An organisation-wide Risk Register is maintained and updates are considered by Management Board. Risk considerations form part of the annual budgeting and planning cycle. Extensive revision to the Risk Register and the risk management framework took place during 2008 and 2009
- Key financial performance indicators and monthly management accounts are presented at each meeting of the Finance Committee
- The annual budget, forward estimates and major investment proposals are approved by both Finance Committee and Council, following detailed review, challenge and assessment by the University's Management Board

The review of the effectiveness of the system of internal control is informed by the Internal Audit Service, which operates to standards defined in the HEFCE Code of Practice and which was last reviewed for effectiveness by the HEFCE Assurance Service in March 2004.

The review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Preparation of the Financial Statements

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 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:

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets; regular reviews of performance and monthly reviews of financial results involving variance reporting and updates of forecast outturn;
- comprehensive Financial Regulations, approved by the Audit Committee, Finance Committee and Council;
- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments, supported by 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;
- a professional Internal Audit Service 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 the Internal Audit Service 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 auditors' report to the Members of the Council of The University of Nottingham

We have audited the financial statements of The University of Nottingham for the year ended 31 July 2009 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the note of historical cost surpluses and deficits, the consolidated balance sheet, the University balance sheet, the consolidated cash flow statement, the statement of consolidated total recognised gains and losses, the reconciliation of net cash to movement in net debt and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council of the University, as a body, in accordance with the Financial Memorandum dated June 2008. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Members of the Council and auditors

The Members of the Council responsibilities for the preparing the Annual Report and the financial statements in accordance with the University's statute, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the Members of the Council responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the information given in the Treasurer's report is not consistent with the financial statements, if the University has not kept adequate 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 Treasurer's Report, including the corporate governance statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Members of the Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group'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 as at 31 July 2009 and of the surplus of the Group for the year then ended;
- (b) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions;
- (c) in all material respects income from Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and
- (d) in all material respects income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum, dated June 2008 with the Higher Education Funding Council for England.

Deloitte LLP
Chartered Accountants and Statutory Auditors
Nottingham, UK
 27 October 2009

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 2007 (SORP) and applicable Accounting Standards. They conform to the guidance published by the Higher Education Funding Council for England.

In accordance with FRS 18, Accounting Policies, these accounting policies have been reviewed by the Audit Committee and are considered appropriate to the University's activities.

Having made appropriate enquiries, Council considers that the group has adequate financial resources to continue in operational existence for the foreseeable future, being not less than 12 months from the date of signing the financial statements. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

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

Funding Council block grants are accounted for in the period to which they relate. Fee income is stated gross and credited to income over the period in which students are studying. University funded Bursaries and scholarships are accounted for gross as both income and operating expenses.

Income from Research Grants and Contracts is included on an accruals basis to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

Donations with restrictions are recognised when the relevant conditions have been met.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from endowments not expended in accordance with restrictions of the endowment is transferred from the income and expenditure account to Restricted Endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

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 Second Pension. 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.

A small number of staff remain in other pension schemes.

The USS scheme is a multi employer scheme and is accounted for on a defined contribution basis as it is not possible to identify the assets and liabilities of the scheme which are attributable to the group. CPAS is accounted for as a defined benefit scheme.

For the defined benefit scheme the amounts charged to Staff Costs are the current service costs and gains and losses on settlements and curtailments. The interest cost and the expected return on assets are shown within Interest and Other Finance Costs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to Staff Costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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 change 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 generally between 50 and 100 years, with certain specific buildings depreciated over a longer period where appropriate. Major refurbishments are depreciated over their estimated life, normally 15 years. Leasehold land is depreciated over the life of the lease.

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.

Assets in the Course of Construction are not depreciated.

8. Equipment and other assets

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: seven years
- Motor vehicles and other general equipment: three – 10 years
- Equipment acquired for specific research projects: project life (generally three 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).

Heritage Assets are recorded at cost and not depreciated.

Statement of principal accounting policies *continued*

9. Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date on the basis of an annual professional valuation. Changes in the market value of investment properties are taken to the statement of total recognised gains and losses, being a movement on revaluation reserve.

10. Investments and endowments

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

Endowment Asset Investments are included in the Balance Sheet at market value, with changes taken to the Statement of Total Recognised Gains and Losses. Current Asset Investments are included at the lower of cost and net realisable value.

Receipts classed as Restricted Expendable Endowments are credited to Endowment Reserves and transferred to Revenue Reserves as the related expenditure is incurred.

Receipts where the capital amount cannot be spent are credited to Restricted Permanent Endowments and only accumulated income is available to be transferred to Revenue Reserves as the related expenditure is incurred.

11. 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 and net realisable value.

12. Short term investments

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

13. 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. Expenditure that extends the useful life of an asset or enhances an asset is capitalised.

14. 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 2009

		2009 £m	2008 £m
Income	Note		
Funding body grants	1	134.6	126.4
Tuition fees and education contracts	2	146.4	126.8
Research grants and contracts	3	93.4	83.8
Other operating income	4	84.7	77.4
Endowment and investment income	5	1.2	1.7
Total income		<u>460.3</u>	<u>416.1</u>
Expenditure			
Staff costs	6	257.3	236.6
Other operating expenses	7	169.3	152.5
Depreciation	10	18.9	17.2
Interest and other finance costs	8	3.2	3.5
Total expenditure	9	<u>448.7</u>	<u>409.8</u>
Surplus for the year before associates		11.6	6.3
Share of profits in associated companies	11	1.2	0.8
Surplus for the year after associates		12.8	7.1
Surplus for the year transferred from accumulated income in endowment funds		0.2	0.0
Net surplus for year retained within general reserves	20	13.0	7.1
The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.			

Note of historical cost surpluses

	2009 £m	2008 £m
Surplus for the year	13.0	7.1
Realisation of investment property revaluation gains of previous years	0.0	0.4
Historical cost surplus for the year	13.0	7.5

Statement of consolidated total recognised gains and losses

For the year ended 31 July 2009

	Note	2009 £m	2008 £m
Surplus for the year after associates		12.8	7.1
Depreciation of endowment asset investments	18	(3.4)	(3.1)
New endowments	18	0.4	0.1
Unrealised deficit on revaluation of investment properties	19	(0.2)	(0.4)
Exchange movements on share of associates		1.6	0.8
Actuarial loss on pension scheme	29	(23.2)	(6.0)
Total recognised losses relating to the year		(12.0)	(1.5)
Reconciliation			
Opening reserves and endowments		122.2	
Total recognised losses for the year		(12.0)	
Closing reserves and endowments		110.2	

Balance sheet

As at 31 July 2009

	Note	Consolidated		University	
		2009 £m	2008 £m	2009 £m	2008 £m
Fixed assets					
Tangible assets	10	386.0	376.2	385.0	374.8
Investments	11	15.6	12.3	9.1	8.7
		401.6	388.5	394.1	383.5
Investment properties	12	2.8	2.9	2.8	2.9
Endowment assets	13	26.4	29.6	26.4	29.6
Current assets					
Stocks		1.1	0.9	1.0	0.8
Debtors	14	60.1	58.6	62.3	59.8
Short term investments		2.9	3.3	1.9	2.4
Cash at bank and in hand		4.0	0.3	3.7	0.1
		68.1	63.1	68.9	63.1
Creditors: amounts falling due within one year	15	(139.2)	(119.9)	(137.2)	(118.3)
Net current liabilities		(71.1)	(56.8)	(68.3)	(55.2)
Total assets less current liabilities		359.7	364.2	355.0	360.8
Creditors: amounts falling due after more than one year	16	(48.4)	(64.5)	(49.8)	(65.8)
Net assets excluding pensions liability		311.3	299.7	305.2	295.0
Net pensions liability	29	(52.0)	(30.3)	(52.0)	(30.3)
Total net assets including pensions liability		259.3	269.4	253.2	264.7
Deferred capital grants	17	149.1	147.2	148.3	146.2
Endowments					
Expendable	18	1.9	2.0	1.9	2.0
Permanent	18	24.5	27.6	24.5	27.6
		26.4	29.6	26.4	29.6
Reserves					
Income and expenditure account excluding pension reserve	20	133.5	120.4	128.2	116.7
Pension reserve	29	(52.0)	(30.3)	(52.0)	(30.3)
Income and expenditure account including pension reserve		81.5	90.1	76.2	86.4
Revaluation reserve	19	2.3	2.5	2.3	2.5
		83.8	92.6	78.5	88.9
Total funds		259.3	269.3	253.2	264.7

The Financial Statements on pages 19 to 39 were approved by Council on 27 October 2009 and signed on its behalf by:

Professor David Greenaway
Vice-Chancellor

John Mills
Treasurer and Chairman
of Finance Committee

Chris Thompson
Chief Financial
Officer

Martin Wynne-Jones
Director of Finance

Consolidated cash flow statement

For the year ended 31 July 2009

	Note	2009 £m	2008 £m
Net cash inflow from operating activities	24	39.7	19.7
Returns on investments and servicing of finance	25	(1.8)	(1.8)
Capital expenditure and financial investment	26	(17.6)	(27.0)
Cash inflow/(outflow) before use of liquid resources and short-term investments		20.3	(9.1)
Management of liquid resources		0.6	1.3
Financing	27	(16.9)	6.9
Increase/(decrease) in cash	28	4.0	(0.9)

Reconciliation of net cash flow to movement in net debt

	Note	2009 £m	2008 £m
Increase/(decrease) in cash in the period		4.0	(0.9)
Decrease in short term investments		(0.6)	(1.3)
Repayment of debt	27	210.7	149.6
New loans	27	(193.8)	(156.5)
Change in net debt resulting from cash flows		20.3	(9.1)
Effect of foreign exchange		(0.5)	(0.3)
Bequest of short term investments		0.2	0.0
Change in net debt		20.0	(9.4)
Net debt at 1 August		(55.7)	(46.3)
Net debt at 31 July	28	(35.7)	(55.7)

Notes to the accounts

1. Funding body grants	2009 £m	2008 £m
Recurrent grants from HEFCE	116.2	110.2
Specific grants from HEFCE	7.7	6.1
Grants from TDA	3.0	3.0
Deferred capital grants released in year		
Buildings (Note 17)	2.8	2.7
Equipment (Note 17)	4.9	4.4
	<u>134.6</u>	<u>126.4</u>
2. Tuition fees and education contracts	2009 £m	2008 £m
Full-time credit bearing courses – home fees	53.2	42.4
Full-time credit bearing courses – international fees	60.8	54.0
Part-time credit bearing courses	2.7	2.5
Other teaching contracts	22.9	21.8
Non credit bearing courses and other fees	6.8	6.1
	<u>146.4</u>	<u>126.8</u>
3. Research grants and contracts	2009 £m	2008 £m
Research councils	44.3	37.9
UK based charities	13.0	11.7
UK central/local government, health and health authorities	12.9	10.6
UK industry, commerce and public corporations	9.2	10.4
EU government and other sources	11.2	9.9
Other grants and contracts	2.8	3.3
	<u>93.4</u>	<u>83.8</u>
4. Other operating income	2009 £m	2008 £m
Residences, catering and conferences	32.2	31.4
Other services rendered	26.1	22.4
Health authorities	8.6	7.6
Released from deferred capital grants	0.5	0.4
Other income	17.3	15.6
	<u>84.7</u>	<u>77.4</u>
5. Endowment income and interest	2009 £m	2008 £m
Income from permanent endowments (Note 18)	0.9	1.0
Other interest receivable	0.3	0.5
Finance income for pension scheme (Note 29)	0.0	0.2
	<u>1.2</u>	<u>1.7</u>

Notes to the accounts *continued*

6. Staff	2009 £m	2008 £m
Staff costs:		
Gross pay	217.0	198.0
Social security costs	17.2	16.3
Other pension costs (Note 29)	23.1	22.3
	<u>257.3</u>	<u>236.6</u>
	2009 £000	2008 £000
Emoluments of the Vice-Chancellor	current	previous
Remuneration	252	48
Payments in lieu of employer's pension contributions	0	8
	<u>252</u>	<u>56</u>
	2009 £000	2008 £000
	current	previous
	252	48
	0	8
	<u>252</u>	<u>56</u>

There were two serving Vice-Chancellors in the period, Professor David Greenaway is the current Vice-Chancellor (with effect from 1 October 2008) and Sir Colin Campbell the previous Vice-Chancellor (retired 30 September 2008).

The emoluments of the current Vice-Chancellor comprise an annual remuneration of £302,000 of which £42,000 is non pensionable. The University's pension contributions to USS are paid at the same rate as for the academic staff and amounted to £30,333 in 2009.

Emoluments to the previous Vice-Chancellor included payments in lieu of employer's pension contributions which were no longer payable as maximum total contributions into the USS pension scheme had been made. In 2008 additional payments made to the previous Vice Chancellor totalled £315,000.

Average staff numbers by major category:	2009 Number	2008 Number
Teaching and research	2,943	2,852
Technical	594	578
Administrative	1,814	1,738
Other, including clerical and manual	744	747
	<u>6,095</u>	<u>5,915</u>

	2009 Number	2008 Number
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:		
£100,000 – £109,999	38	26
£110,000 – £119,999	10	7
£120,000 – £129,999	11	13
£130,000 – £139,999	7	6
£140,000 – £149,999	13	12
£150,000 – £159,999	12	10
£160,000 – £169,999	6	12
£170,000 – £179,999	7	4
£180,000 – £189,999	5	5
£190,000 – £199,999	2	3
£200,000 – £209,999	0	0
£230,000 – £239,999	1	1

7. Other operating expenses	2009 £m	2008 £m
Purchase, hire and repair of equipment	19.5	17.3
Consumables and laboratory expenditure	16.7	15.5
Published materials	5.4	5.0
Travel and subsistence	9.1	9.5
Professional and other fees	32.4	25.0
Fellowships, scholarships and prizes	30.0	27.3
Catering supplies	5.4	5.4
Repairs and general maintenance	13.0	12.9
Heat, light, water and power	12.5	11.2
Rent, rates and insurance	4.8	4.8
Grants to University of Nottingham Students Union	1.7	1.6
Auditors' remuneration	0.2	0.1
Training	1.8	1.8
Advertising	2.0	2.1
Impairment of investments	0.2	0.3
Other expenses	14.6	12.7
	<u>169.3</u>	<u>152.5</u>

Auditors' remuneration includes £94,700 in respect of audit services for the group, of which £57,300 relates to the University, and £104,300 in respect of non audit

services, principally in respect of taxation services. (The 2008 expenditure was £72,000, £55,000 and £76,000 respectively).

8. Interest and other finance costs	2009 £m	2008 £m
Loans not wholly repayable within five years	1.9	3.5
Finance costs for pension scheme (Note 29)	1.3	0.0
	<u>3.2</u>	<u>3.5</u>

9. Analysis of 2009 expenditure by activity

	Staff costs £m	Dep'n £m	Other operating expenses £m	Interest payable £m	Total £m
Academic departments	161.1	3.9	43.3	0.0	208.3
Research grants and contracts	37.3	2.0	32.0	0.0	71.3
Total teaching and research	198.4	5.9	75.3	0.0	279.6
Academic services	15.2	3.9	13.5	0.0	32.6
Administration	21.7	0.1	25.1	0.0	46.9
Premises	7.8	7.1	25.7	0.0	40.6
Residences, catering and conferences	7.9	1.1	14.6	0.0	23.6
Other expenses	6.3	0.8	15.1	3.2	25.4
Total per income and expenditure account	<u>257.3</u>	<u>18.9</u>	<u>169.3</u>	<u>3.2</u>	<u>448.7</u>

Notes to the accounts *continued*

10. Tangible assets	Consolidated						
	Land and buildings				Assets in	Heritage	Total
	Freehold	Long leasehold	Equipment	Leased equipment	course of construction	assets	
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 August 2008	327.5	15.2	93.8	5.2	30.9	0.5	473.1
Additions at cost	11.8	0.0	6.7	0.0	10.8	0.0	29.3
Transfers	28.8	0.0	1.0	0.0	(29.8)	0.0	0.0
Disposals	(0.7)	0.0	(0.4)	(5.2)	0.0	0.0	(6.3)
At 31 July 2009	367.4	15.2	101.1	0.0	11.9	0.5	496.1
Depreciation							
At 1 August 2008	47.0	2.2	42.9	4.8	0.0	0.0	96.9
Charge for year	7.4	0.1	11.0	0.4	0.0	0.0	18.9
Eliminated on disposals	(0.3)	0.0	(0.2)	(5.2)	0.0	0.0	(5.7)
At 31 July 2009	54.1	2.3	53.7	0.0	0.0	0.0	110.1
Net book value							
At 31 July 2009	313.3	12.9	47.4	0.0	11.9	0.5	386.0
At 31 July 2008	280.5	13.0	50.9	0.4	30.9	0.5	376.2

	University						
	Land and buildings				Assets in	Heritage	Total
	Freehold	Long leasehold	Equipment	Leased equipment	course of construction	assets	
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 August 2008	327.5	15.2	92.5	0.0	30.9	0.5	466.6
Additions at cost	11.8	0.0	6.4	0.0	10.8	0.0	29.0
Transfers	28.8	0.0	1.0	0.0	(29.8)	0.0	0.0
Disposals	(0.7)	0.0	(0.3)	0.0	0.0	0.0	(1.0)
At 31 July 2009	367.4	15.2	99.6	0.0	11.9	0.5	494.6
Depreciation							
At 1 August 2008	47.0	2.2	42.6	0.0	0.0	0.0	91.8
Charge for year	7.4	0.1	10.8	0.0	0.0	0.0	18.3
Eliminated on disposals	(0.3)	0.0	(0.2)	0.0	0.0	0.0	(0.5)
At 31 July 2009	54.1	2.3	53.2	0.0	0.0	0.0	109.6
Net book value							
At 31 July 2009	313.3	12.9	46.4	0.0	11.9	0.5	385.0
At 31 July 2008	280.5	13.0	49.9	0.0	30.9	0.5	374.8

11. Investments

	Consolidated		University	
	2009	2008	2009	2008
	£m	£m	£m	£m
Subsidiary companies	0.0	0.0	0.4	0.4
Associated companies	15.0	11.7	8.1	7.7
Investments	0.6	0.6	0.6	0.6
	<u>15.6</u>	<u>12.3</u>	<u>9.1</u>	<u>8.7</u>

Included within investments are amounts invested in University collaborations and spin out companies. The majority of the investments have been written down to nil. The total cost of such investments was £4,426k (2008 £4,265k) with an impairment provision of £3,826k (2008

£3,665k). The total amount invested in the year was £161k (2008 £263k) and the impairment charge in the year was £161k (2008 £263k). The investments, which have not been consolidated on the grounds of materiality, are as follows:

	% Holding
AIMS Solutions Limited	24.0
Aptia Solutions Limited	24.9
BioCity Limited	33.3
Cellaura Technologies Limited	29.3
Critical Pharmaceuticals Limited	15.9
Encos Limited	13.0
Evocell Limited	11.7
FAHRAS Limited	18.9
Flavometrix Limited	20.0
Geospatial Research Centre (NZ) Limited	30.0
Lachesis Fund	19.9
M4 Technologies Limited	24.0
Molecular Profiles Limited	10.0
Monica Healthcare Limited	16.3
Nanograph Systems Limited	24.9
Nottingham Gynaecological Devices Limited	22.0
OncImmune Limited	24.3
Promeatheatan Particles Limited	50.0
Regentec Limited	24.0
Scancell Holdings plc	2.1
Sherwood Therapeutics Limited	38.0
Spirogen Limited	3.3
Universitas 21	12.0

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
UNIP Management Limited	2
Eminate Limited	2

The consolidated results of the group incorporate those of Nottingham University Foundation Limited, a company

granted charitable status in April 2003, which is registered and operating in the UK.

Notes to the accounts *continued*

11. Investments *continued*

Investment in associated companies

	Consolidated	University
	£m	£m
As at 1 August 2008	11.7	7.7
Share of retained profits	1.2	0.0
Exchange movements	2.1	0.4
As at 31 July 2009	<u>15.0</u>	<u>8.1</u>

The University owns 37.5% of The University of Nottingham Ningbo, China, a co-operative joint venture established in China. It has a financial year end of 31 December in accordance with Chinese regulations. The consolidated accounts of the University reflects a carrying value of £10.7m equal to 37.5% of the net assets, excluding intellectual property, as at 31 July.

The University owns 29.1% of the ordinary share capital of The University of Nottingham, Malaysia, a company incorporated in Malaysia. It has a financial year end of 31 December in common with its majority shareholder. The consolidated accounts of the University reflects a carrying value of £4.3m equal to 29.1% of the net assets, excluding intellectual property, as at 31 July.

Academic quality in both China and Malaysia is controlled by The University of Nottingham.

12. Investment properties

	Consolidated and University
	2009 2008
	£m £m
Balance at 1 August	2.9 3.7
Disposals	0.0 (0.4)
Depreciation on revaluation	(0.1) (0.4)
Balance at 31 July	<u>2.8</u> <u>2.9</u>

Land and property valuations as at 31 July 2009 have been made by senior management on the advice of Savills (L&P) Ltd and Shouler and Sons, firms of Chartered

Surveyors, the basis of valuation being open market value taking groups of properties together for this purpose.

13. Endowment assets

	Consolidated and University
	2009 2008
	£m £m
Balance at 1 August	29.6 32.7
Additions	4.3 5.5
Disposals	(4.4) (4.6)
Depreciation on revaluation	(3.4) (3.1)
Increase/(Decrease) in cash balances	0.3 (0.9)
Balance at 31 July	<u>26.4</u> <u>29.6</u>
Represented by:	
Fixed interest stocks	4.5 3.7
Equities	15.8 20.0
Land and property	0.3 0.4
Cash balances (Note 28)	5.8 5.5
	<u>26.4</u> <u>29.6</u>

Included within the above balances is accumulated income yet to be applied of £3.1m (2008: £3.0m).

14. Debtors

	Consolidated	University
	2009 2008	2009 2008
	£m £m	£m £m
Amounts falling due within one year:		
Debtors	18.7 22.0	17.7 21.2
Amounts due from subsidiaries	0.0 0.0	3.3 2.3
Prepayments and accrued income	40.5 36.6	40.4 36.3
	<u>59.2</u> <u>58.6</u>	<u>61.4</u> <u>59.8</u>
Amounts falling due after more than one year:		
Prepayments and accrued income	0.9 0.0	0.9 0.0
	<u>0.9</u> <u>0.0</u>	<u>0.9</u> <u>0.0</u>
Total debtors	<u>60.1</u> <u>58.6</u>	<u>62.3</u> <u>59.8</u>

15. Creditors: amounts falling due within one year

	Consolidated	University
	2009 2008	2009 2008
	£m £m	£m £m
Obligations under finance leases (Note 21)	0.0 0.3	0.0 0.0
Payments received in advance	3.1 2.2	2.6 1.8
Trade creditors	15.5 15.5	14.9 14.3
Social security and other taxation payable	9.1 8.9	9.1 9.0
Amounts due to subsidiaries	0.0 0.0	0.9 1.8
Accruals and deferred income	111.9 93.0	109.7 91.4
	<u>139.2</u> <u>119.9</u>	<u>137.2</u> <u>118.3</u>

16. Creditors: amounts falling due after more than one year

	Consolidated	University
	2009 2008	2009 2008
	£m £m	£m £m
Loans from subsidiary companies	0.0 0.0	1.4 1.7
Bank loans	48.4 64.1	48.4 64.1
	<u>48.4</u> <u>64.1</u>	<u>49.8</u> <u>65.8</u>
Obligations under finance leases (Note 21)	0.0 0.4	0.0 0.0
	<u>48.4</u> <u>64.5</u>	<u>49.8</u> <u>65.8</u>

The bank loans are with the Royal Bank of Scotland at a rate which is 0.20% above LIBOR. The total facility is for £110m and is a 26 year revolving credit facility with straightline amortisation of £3.2m per annum over 25 years after a 1 year repayment holiday with a £30m bullet repayment at the end. The University has the ability to repay and redraw against the facility over the period of the loans and utilises this facility to manage its cash

requirements. In addition the University has a multi-option facility for £15m. The University has entered into two interest rates caps totalling £20m, which had a fair value at the balance sheet date of £1,100.

The remaining obligations under finance leases were discharged during 2009.

Notes to the accounts *continued*

17. Deferred capital grants	Funding council £m	Other grants and benefactions £m	Total £m
Consolidated			
At 1 August 2008			
Buildings	83.8	25.8	109.6
Equipment	28.0	9.6	37.6
Total	<u>111.8</u>	<u>35.4</u>	<u>147.2</u>
Grants received			
Buildings	1.6	7.8	9.4
Equipment	1.3	2.0	3.3
Total	<u>2.9</u>	<u>9.8</u>	<u>12.7</u>
Released to income and expenditure			
Buildings	(2.8)	(0.4)	(3.2)
Equipment	(4.9)	(2.7)	(7.6)
Total	<u>(7.7)</u>	<u>(3.1)</u>	<u>(10.8)</u>
At 31 July 2009			
Buildings	82.6	33.2	115.8
Equipment	24.4	8.9	33.3
Total	<u>107.0</u>	<u>42.1</u>	<u>149.1</u>

	Funding council £m	Other grants and benefactions £m	Total £m
University			
At 1 August 2008			
Buildings	83.8	25.8	109.6
Equipment	28.0	8.6	36.6
Total	<u>111.8</u>	<u>34.4</u>	<u>146.2</u>
Grants received			
Buildings	1.6	7.8	9.4
Equipment	1.3	1.9	3.2
Total	<u>2.9</u>	<u>9.7</u>	<u>12.6</u>
Released to income and expenditure			
Buildings	(2.8)	(0.4)	(3.2)
Equipment	(4.9)	(2.4)	(7.3)
Total	<u>(7.3)</u>	<u>(2.8)</u>	<u>(10.5)</u>
At 31 July 2009			
Buildings	82.6	33.2	115.8
Equipment	24.4	8.1	32.5
Total	<u>107.0</u>	<u>41.3</u>	<u>148.3</u>

18. Endowments	Consolidated and University		
	Restricted expendable £m	Restricted permanent £m	Restricted total £m
Balance at 1 August 2008	2.0	27.6	29.6
Additions	0.2	0.2	0.4
Depreciation of endowment asset investments	0.0	(3.4)	(3.4)
Income for the year	0.0	0.9	0.9
Expenditure for the year	(0.3)	(0.8)	(1.1)
Balance at 31 July 2009	<u>1.9</u>	<u>24.5</u>	<u>26.4</u>
Represented by:			
Capital value	1.9	21.4	23.3
Accumulated income	0.0	3.1	3.1
	<u>1.9</u>	<u>24.5</u>	<u>26.4</u>

The University has no unrestricted permanent endowments.

19. Revaluation reserve	Consolidated and University £m
Balance at 1 August 2008	2.5
Transfer to general reserves	0.0
Revaluations in the period	(0.2)
Balance at 31 July 2009	<u>2.3</u>

20. General reserves	Consolidated £m	University £m
Balance at 1 August 2008	120.4	116.7
Transfer from surplus for the year	13.0	13.0
Transfer from revaluation reserve	0.0	0.0
Transfer to pension reserve	(1.5)	(1.5)
Exchange movements	1.6	0.0
Balance at 31 July 2009	<u>133.5</u>	<u>128.2</u>

The University's individual Income and Expenditure Account and related notes have been excluded from these financial statements because the results are included in the

Consolidated Income and Expenditure Account. The profit for the year before share of associate's profits was £10.8million (2008 - £6.9million profit).

Notes to the accounts *continued*

21. Lease obligations

	Consolidated		University	
	2009	2008	2009	2008
	£m	£m	£m	£m
Obligations under finance leases fall due as follows:				
One to two years	0.4	0.4	0.0	0.0
Between two and five years	0.0	0.0	0.0	0.0
Over five years	0.0	0.0	0.0	0.0
Total over one year (Note 16)	0.0	0.4	0.0	0.0
Within one year (Note 15)	0.0	0.3	0.0	0.0
	0.0	0.7	0.0	0.0
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	0.4	0.6	0.4	0.6
	0.4	0.7	0.4	0.7

22. Capital commitments

	Consolidated		University	
	2009	2008	2009	2008
	£m	£m	£m	£m
Commitments contracted at 31 July	6.5	5.9	6.5	5.9

23. Related party transactions

The University of Nottingham owns a 29.1% stake in The University of Nottingham, Malaysia and a 37.5% stake in The University of Nottingham, Ningbo China both of which are accounted for as associated entities (see note 11).

Academic quality in both China and Malaysia is controlled by The University of Nottingham, for which it receives management fees and certain members of staff are seconded to both overseas campuses for periods of up to three years. In addition certain costs incurred by the University are rechargeable between each associate and the University in accordance with signed agreements.

The University extended a loan of £1.5million to The University of Nottingham, Malaysia at an interest rate of cost of funds to The University of Nottingham plus 1% to support effective working capital management. The loan is repayable on demand.

The University in the prior year donated £1.0million to The University of Nottingham, Ningbo China to support its strategic objectives.

	2009 Malaysia £000	2009 China £000	2008 Malaysia £000	2008 China £000
Net charges by the university:				
Costs	(61)	452	725	(316)
Management fee	1,193	1,692	885	985
Owed to/(by) the university at 31 July	3,147	1,924	990	(984)

24. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2009 £m	2008 £m
Surplus for the year	12.8	7.1
Depreciation (Note 10)	18.9	17.2
(Profit)/loss on disposal of fixed assets	(0.6)	0.1
Impairment of investments	0.2	0.3
Share of profits in associated companies	(1.2)	(0.8)
Deferred capital grants released to income (Note 17)	(10.8)	(9.5)
Investment income (Note 5)	(1.2)	(1.7)
Interest payable (Note 8)	3.2	3.5
(Increase)/decrease in stocks	(0.2)	0.1
Increase in debtors	(1.7)	(9.9)
Increase in creditors	20.6	13.3
Other non cash movements	(0.3)	0.0
Net cash inflow from operating activities	39.7	19.7

25. Returns on investments and servicing of finance

	2009 £m	2008 £m
Income from endowments	1.0	1.1
Other interest received	0.3	0.6
Interest paid	(3.1)	(3.5)
Net cash outflow from returns on investments and servicing of finance	(1.8)	(1.8)

26. Capital expenditure and financial investment

	2009 £m	2008 £m
Payments to acquire tangible assets	(32.0)	(49.1)
Payments to acquire endowment asset investments (Note 13)	(4.3)	(5.5)
Total payments to acquire fixed and endowment asset investments	(36.3)	(54.6)
Receipts from sales of endowment assets (Note 13)	4.4	4.6
Receipts from Sales of Fixed Assets	1.2	0.0
Receipts from sale of off-campus accommodation	0.0	1.1
Deferred capital grants received	12.7	21.8
Endowments received (Note 18)	0.4	0.1
Net cash outflow from capital expenditure and financial investment	(17.6)	(27.0)

Notes to the accounts *continued*

27. Analysis of changes in consolidated financing during the year

	Total £m	Finance leases £m	Mortgages and loans £m
Balances at 1 August 2008	64.9	0.7	64.2
New leases/loans	193.8	0.0	193.8
Capital repayments	(210.7)	(0.7)	(210.0)
Foreign exchange translation differences	0.4	0.0	0.4
Net amount repaid in year	(16.5)	(0.7)	(15.8)
Balances at 31 July 2009	48.4	0.0	48.4

28. Analysis of changes in net debt

	At 1 August 2008 £m	Cash Flows £m	Other Changes £m	At 31 July 2009 £m
Cash:				
Endowment asset investments (Note 13)	5.5	0.3	0.0	5.8
Cash at bank and in hand	0.3	3.7	0.0	4.0
	5.8	4.0	0.0	9.8
Short term investments	3.3	(0.6)	0.2	2.9
Debt due within one year	0.0	0.0	0.0	0.0
Debt due after one year	(64.1)	15.3	0.4	(48.4)
Finance leases	(0.7)	0.7	0.0	0.0
	(55.7)	19.4	0.6	(35.7)

29. 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. The University also operates a defined contribution scheme, The University of Nottingham Contributory Retirement Savings Plan (CRSP).

USS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by

the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

29. Pension schemes *continued*

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The valuation was carried out using the projected unit method. 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), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members mortality	PA92 MC VoB tables - rated down 1 year
Female members mortality	PA92 MC VoB tables - no age rating

At the valuation date, the value of the assets of the scheme was £28,842.6million and the value of the scheme's technical provisions was £28,135.3million indicating a surplus of £707.3million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was

approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector surrounding pay growth. Analysis has shown very variable levels over and above general pay rises in recent years, and the salary growth assumption built into the cost of the future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability noted above.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

Notes to the accounts *continued*

29. Pension schemes *continued*

On the FRS17 basis, using an AA bond discount rate of 7.1% per annum based on post yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy out basis at that date was approximately 46%.

Assumption	Change in assumption
Valuation rate of interest	Increase/decrease by 0.5%
Rate of pension increases	Increase/decrease by 0.5%
Rate of salary growth	Increase/decrease by 0.5%
Rate of mortality	More prudent assumption (move to long cohort future medium cohort adopted at the valuation)

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows.

However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principle assumptions used to measure the scheme liabilities are set out below:

Impact on scheme liabilities

Decrease/increase by £2.2billion
Increase/decrease by £1.5billion
Increase/decrease by £0.7billion
Increase by £1.6billion

risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers, enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

29. Pension schemes *continued*

CPAS

The University operates a defined benefit scheme in the UK, which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. A full actuarial valuation was carried out at 31 July 2008. The results of that valuation have been projected to 31 July 2009 by a qualified independent actuary. For 2009 employer contributions were 18.7% of pensionable pay and active members paid in at the rate of 6.0% of pensionable pay. Following the 31 July 2008 valuation employer contributions have been agreed at the rate of 12.6% of pensionable pay plus £360,100 per month from 1 August 2009. The monthly lump sum payment is to pay for the past-service shortfall over a 12 year period and will increase by 4.8% each August. Active members contributions remain at the rate of 6.0% of pensionable pay.

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 6.8% per annum, salary increases would be 4.8% per annum and pensions would increase between 3.0% and 3.6% per annum. The market value of the assets of the scheme was £90.1m with past service liabilities of £140.6m. The valuation was carried out using the projected unit method.

CPAS was closed to new entrants from 1 September 2006. There are no changes at all to benefits earned up to that date, and the defined benefit scheme, with the University guaranteeing benefits in retirement, will continue for all current members. From 1 September 2006, future pensions accruing will be calculated on the basis of what is earned each year, inflation proofed up to a maximum of 5% per annum. This will be added to the pension earned in respect of service up to 31 August 2006, which will continue to be calculated by reference to final salary at retirement or earlier date of leaving.

The total pension charge to the Income and Expenditure account for the university and its subsidiaries was:

	2009 £m	2008 £m
Contributions to USS	20.0	18.0
Charge to I&E account re CPAS	1.6	2.9
Contributions to other pension schemes	1.5	1.4
Total pensions cost (Note 6)	<u>23.1</u>	<u>22.3</u>

Notes to the accounts *continued*

29. Pension schemes – *continued*

CPAS - FRS17 Disclosure

The amounts recognised in the balance sheet are as follows:

	2009 £m	2008 £m
Present value of funded obligations	(134.4)	(121.0)
Fair value of plan assets	82.4	90.7
Deficit	<u>(52.0)</u>	<u>(30.3)</u>

The amounts recognised in profit or loss are as follows:

	2009 £m	2008 £m
Current service cost	3.0	3.6
Interest on obligation	7.9	7.0
Expected return on plan assets	(6.6)	(7.2)
Gains on curtailments, settlements and business combinations	(0.8)	0.0
Total	<u>3.5</u>	<u>3.4</u>
Actual return on plan assets	<u>(8.1)</u>	<u>(6.9)</u>

Changes in the present value of the defined benefit obligation are as follows:

	2009 £m	2008 £m
Opening defined benefit obligation	121.0	122.4
Service cost	3.0	3.6
Interest cost	7.9	7.0
Plan participants' contributions	0.7	0.9
Actuarial losses/(gains)	8.4	(8.2)
Losses/(gains) on curtailments	(0.3)	0.0
Liabilities extinguished on settlements	(0.8)	0.0
Benefits paid	(5.5)	(4.7)
Closing defined benefit obligation	<u>134.4</u>	<u>121.0</u>

Changes in the fair value of plan assets are as follows:

	2009 £m	2008 £m
Opening fair value of plan assets	90.7	95.9
Expected return on plan assets	6.6	7.2
Actuarial losses	(14.8)	(14.1)
Assets distributed on settlements	(0.3)	0.0
Employer contribution	5.0	5.5
Plan participants' contributions	0.7	0.9
Benefits paid	(5.5)	(4.7)
Fair value of plan assets at end of period	<u>82.4</u>	<u>90.7</u>

29. Pension schemes – *continued*

The major categories of plan assets as a percentage of total plan assets are as follows:

	2009	2008
Equities	66%	71%
Bonds	28%	19%
Property	3%	4%
Cash	4%	6%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2009	2008
Discount rate at end of year	6.00%	6.60%
Expected return on plan assets at end of year	6.85%	7.30%
Future salary increases	4.10%	4.60%
Future pension increases	3.20%	3.70%
Proportion of employees opting for early retirement	50.00%	60.00%
Proportion of employees commuting pension for cash	100.00%	100.00%
Future expected lifetime of pensioner at age 65:		
Male:	21.0	18.5
Female:	23.3	21.4

Amounts for the current and previous four periods are as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Defined benefit obligation	(134.4)	(121.0)	(122.4)	(117.7)	(99.5)
Plan assets	82.4	90.7	95.9	84.6	72.9
Deficit	(52.0)	(30.3)	(26.5)	(33.1)	(26.6)
Experience adjustments on plan liabilities	(8.5)	8.2	1.8	(10.6)	(6.1)
Experience adjustments on plan assets	(14.8)	(14.1)	3.4	4.4	8.4

CRSP

Following the closure of CPAS to new entrants on 1 September 2006, the University engaged Legal & General to operate a defined contribution pension scheme for the benefit of members. The Contributory Retirement Savings Plan (CRSP) is designed as the primary pension plan for members of staff who are

not already in another pension scheme, but all members of staff can join CRSP. The University makes contributions equivalent to twice the employee's contribution, up to a maximum of 10%. As at 31 July 2009 the University owed £46k in respect of contributions to the scheme (2008: £46k).

30. Access funds

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.

	2009 £m	2008 £m
Balance at 1 August	0.1	0.2
Funding council grants	0.5	0.6
	<u>0.6</u>	<u>0.8</u>
Disbursed to students	(0.6)	(0.7)
Balance unspent at 31 July	<u>0.0</u>	<u>0.1</u>



The University of
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Further copies of Global Assets are
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