



The University of
Nottingham

UNITED KINGDOM · CHINA · MALAYSIA



Financial Statements

for the year to 31 July 2013

www.nottingham.ac.uk

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Council Membership (1 August 2012 to 22 October 2013)

President of Council and Pro-Chancellor	John Mills
Vice-President of Council	Dame Elizabeth Fradd
Members ex-Officio	
The Chancellor	Professor Yang Fujia [to 31 December 2012]
Pro-Chancellor	Dr Hamid Mughal
The Vice-Chancellor	Professor David Greenaway
The Treasurer	Mr John Mills
	Colin Gillespie
Deputy Vice-Chancellor	Professor Karen Cox
Pro-Vice-Chancellors	Professor Chris Rudd
	Professor Saul Tendler
Members of Staff	External members appointed by the Council
Professor John Atherton	Lyndsey Bainton
Professor David Clarke	Baroness Brenda Dean
Professor Christine Hall	Dame Elizabeth Fradd
Professor Julie Sanders [to 31 July 2013]	Colin Gillespie
Dr Joel Segal [to 31 July 2013]	Asha Khemka
	Jeff Randall [from 1 January 2013]
	David Ross
	Brian Rossiter [to 31 July 2013]
	John Saunders
	Steve Walton
	Neil Watkinson
	Louise Wilson
Appointed by the Union of Students	
From 1 July 2012 to 30 June 2013	
Amos Teshuva (President)	
Matt Styles (Education Officer)	
From 1 July 2013	
Ellie McWilliam (President)	
Dasha Karzunina (Education Officer)	
Other senior officers	
The Chancellor	Sir Andrew Witty [from 1 January 2013]
The Registrar	Dr Paul Greatrix (Secretary to Council)
Pro-Vice-Chancellors	Professor Christine Ennew
	Professor Sarah O'Hara
	Professor Hai-Sui Yu
	Professor Nick Miles
	Professor Alan Ford
Chief Financial Officer	Chris Thompson [to 31 July 2013]
	Andrew Unitt [from 1 August 2013]
Chief Estates and Facilities Officer	Chris Jagger
Director of Finance	Martin Wynne-Jones [to 21 October 2013]

Vice-Chancellor's Welcome



2013 has been a special year for The University of Nottingham. Not least because we welcomed back one of our most distinguished alumni – Sir Andrew Witty – for his installation as the seventh Chancellor of the University. Sir Andrew, Chief Executive of GlaxoSmithKline, has been a committed friend and supporter of the University for many years and brings a wealth of experience, skill and knowledge to the role.

The biggest fundraising campaign in our history has been more successful than we dared hope, reaching the £100m mark just two years after its launch. The success of **Impact: The Nottingham Campaign** is thanks to the generosity of our alumni, friends, partners and supporters all over the world. We aim to sustain the momentum we have built as we drive the Campaign forward to its overall target of £150m.

That success is already helping us to change lives. Among a wide range of projects, it has helped us to open a second IntoUniversity Centre as part of our **Nottingham Potential** programme, to help more young people in our city to enter higher education. It is also helping us to support the research and treatment of childhood brain tumours; the education of a new generation of entrepreneurs; and the redevelopment of New Theatre for students on campus. It helped to support 'Inside Out of Mind', a ground-breaking play about the care of people with dementia that was crafted from the findings of academic research – and performed for healthcare staff at our very own Lakeside.

The fantastic progress of **Impact: The Nottingham Campaign** was reflected in many other areas during 2013. Funding for pioneering research at the University reached an all-time high, with academics securing more than £170m in new grants. The annual total – a 25% increase on the previous year despite the tougher funding climate – represents a significant endorsement of the University's national and international reputation as a research centre of excellence.

Nottingham has always been a highly sought after University. And I am pleased that so many students are choosing to invest in their futures with us. Just as they choose to make that investment, so we are also investing in our campuses – in the teaching spaces, libraries, grounds and facilities that help to make the University one of the most popular in the UK for undergraduate applications. We embarked this year on the latest phase of campus developments, a £50m investment programme across three of our campuses.

Our investment goes far beyond bricks and mortar – it extends to the highest-quality teaching and the best student experience. It is why we invested an additional £1m this year in our Careers and Employability Service for students, to ensure that Nottingham graduates continue to be among the most sought-after in the UK; it is also why we increased funding for the Students' Union by more than 35% this year, to £2.7m.

Our investment in the future extends to the most exciting developments in teaching and learning. Nottingham was one of the first UK universities to embrace massive open online courses – MOOCs – and we have developed our own Nottingham Open Online Course (or NOOC) on sustainability which attracted 700 staff and students across our campuses in the UK, Malaysia and China. The sustainability course is now also offered via FutureLearn, a pioneering online platform launched this year to offer free course content from the UK's top universities.

As 'Britain's global university', Nottingham has been a pioneer on the international stage for more than a decade. Our work to push the boundaries of global higher education continues to win recognition, with awards for our international activity this year from both the *Times Higher Education* and *The Guardian*.

At the University of Nottingham Ningbo China (UNNC), we lead the way on many fronts, particularly in business engagement, knowledge exchange and broader collaboration. The Quality Assurance Agency praised academic standards at UNNC this year and said that it offered 'unique opportunities' by providing the Nottingham experience in China. Teaching excellence has always been at the heart of what we do, and endorsement for the University of Nottingham Malaysia Campus (UNMC) came this year in the form of a second consecutive 'excellent' rating from the Malaysian Qualifications Agency. UNMC was granted top-tier status under a national rating system overseen by the Ministry of Higher Education Malaysia, which assesses curriculum, governance, physical and financial resources, talent, and the quality of graduates.

We have had a successful year, but take nothing for granted. Undoubtedly, there are more challenges ahead. It is how we respond to them that will determine how The University of Nottingham grows, develops and thrives in the future. With the continued endeavour and commitment of colleagues, I have no doubt we can take those challenges and turn them into opportunities for further success in the years to come.

Professor David Greenaway
Vice-Chancellor
The University of Nottingham



Treasurer's Report

The University of Nottingham continues to be one of the leading research and teaching institutions in the world.

The Sunday Times University Guide 2013 stated in respect of The University of Nottingham:

“Students are attracted by a combination of outstanding academic reputation, combined with quality facilities in beautiful settings.”

Key highlights

	2013 £m	2012 £m
Tuition fees and education contracts	220	185
Funding body grants	125	139
Research grants and contracts	112	100
Other income	104	96
Total Income	561	520
Surplus for the year	22	24
Total Net Assets	582	360
Cash generated from operating activities	£25m	£42m
Capital investment	£35m	£60m
Staff costs	£295m	£284m
Average staff numbers	6,518	6,266
Research awards	£170m	£132m
Total student numbers – worldwide	43,561	42,777

The University of Nottingham features among the best in the world in a new ranking of individual subjects. The league table shows Nottingham has improved its position significantly – appearing among the world's elite institutions (top 200) in 29 out of 30 disciplines. The QS World University Rankings by Subject also features 21 Nottingham subjects in the top 100, compared to 14 last year; and five in the top 50, compared to two last year.

2012 saw the introduction of increased HEU undergraduate tuition fees of up to £9,000. This created considerable uncertainty across the Higher Education sector. Encouragingly the number of applications to The University of Nottingham remained robust and the targeted intake was achieved and the level of income budgeted met. The increase in the fees that institutions can charge is countered by the reduction in the grants from the government funding bodies, with the grant cuts taking effect from April and increased fees from September there is a consequential funding lag. Extra pressure is placed on University finances by the increased fees coming from the Students Loans Company being received in three tranches, October, February and May as opposed to monthly grant receipts. Despite these challenges the University still delivered a good surplus, generated significant cash and invested strongly in its students and infrastructure.

The University continues to deliver excellent results with a surplus of £22m, consistent with the level achieved last year. Income grew by £41m, costs by £38m and the contribution by the overseas campuses fell by £4m as additional costs were incurred to fund both campuses' continued expansion. Cash generation also remained strong with year-end debt less cash improving from £11m to £7m, despite continued investment being made in the University's campuses to further improve the student experience.

Consolidated Reserves have risen from £184m to £408m, a net increase of £224m. This results principally from revaluation of University owned land, £192m, the annual surplus, £22m, reduction in FRS 17 Pension deficit £4m and appreciation of the endowment reserves of £6m.

The vast majority of the land owned by the University was donated and therefore included at no cost. This significantly underestimated the value of the University's assets. A decision was therefore taken to include land at its current value which was assessed by Fisher Hargreaves Proctor Ltd, RICS.

Strategic Plan

The current University Strategic Plan has been used as the basis for all Schools and Professional Service units as they develop their strategy to 2015 and beyond. These 42 strategies are now being used to inform the development of the University's strategy to 2020. The theme underlying the development of Strategy 2020 is the University's unique international position, and the focus will be on achieving global success while retaining high quality with a local feel.

The 2010-15 Strategic Plan identified a number of key performance indicators which are shown below. Good progress has been made on achieving all targets with some having already been surpassed. These will be revisited as part of the strategy to 2020.

Treasurer's Report

Strategic Plan

Excellence in Education

	Latest Position	Original Objective for 2014/15
NSS ranking	39th	20th
Employer Ranking (THE/QS Global)	12th	10th
Students from deprived areas	16.7%	12.5%

World Changing Research

UK Research ranking (RAE – REF)	7th	5th
Research Awards	£170m	£180m
Postgraduate population	21.9%	25%

Engaging with Business

Number of placements/internments	225	500
Industry income	£19m	£20m

Global Reach

Non-UK Students at UK campuses	9,139	9,500
Students at overseas campuses	9,617	12,000

University Risk Register

A substantial review of the risks associated with achieving the current strategic objectives of the University was undertaken in early 2013. The revision focused on risks which affect the University across all of its campuses, taking an enterprise rather than a UK perspective. Following this, the title was changed from Strategic Risk Assessment to University Risk Register. The recently-developed strategies of the academic Schools and Professional Service units included a section on risk, and these were used to inform the University Risk Register.

The Risk Register includes a new section on early warning or controls indicators. This provides a visible flow from the main causes of risks occurring through the current and planned mitigation activities, and to the measures which will be used to monitor the effectiveness of the mitigations.

Having articulated the enterprise-level risks, the University structure was mapped to enterprise (global), entity (country) and unit (business unit) levels. Complementary Risk Registers will be developed at each level, with risks cascading between the three levels.

Student recruitment

The HE environment remains highly competitive and unpredictable. To strengthen the University within this environment, each academic School and Professional Service unit has developed its strategy to 2015 and beyond. In response to the competitive environment, and particularly the increase in tuition fees, several Schools are undertaking an in-depth review of their taught portfolio, with the intention of ensuring that current courses and new opportunities are fully aligned to their market.

The enterprise-level risk around student recruitment and meeting recruitment targets includes the mitigation of the risk in Schools' strategies, and particularly the annual review of Schools' progress towards implementing the elements of their strategy. Its early warning indicators include data provided throughout the recruitment cycle, such as applications, offers and conversions.

Pensions

The latest triennial actuarial valuation for the Nottingham Contributory Pension and Assurance Scheme (CPAS) was as at 31 July 2011 and saw the deficit increase from £50.5m to £80.1m, principally due to changes in the discount rate used for valuing the liabilities. A recovery plan has been agreed with the Trustees resulting in additional employer contributions over a 15 year recovery period, as opposed to the previously agreed 12 year period. This only resulted in a small increase in overall employer contributions per annum.

On an FRS17 basis, the CPAS deficit reduced to £77m (2012: £81m). The FRS17 accounting adjustments have reduced the costs charged in the accounts by £2.7m (2012: £2.1m).

The latest triennial actuarial valuation for the Universities Superannuation Scheme (USS) as at 31 March 2011 was published last year. No further changes to the scheme contributions or benefits were proposed following the changes already implemented in 2009 and 2011. USS does not appear on the University balance sheet as the University's share of the assets and liabilities are not separately identified by USS.

The new Pension Auto-enrolment rules applied to the University with effect from March 2013 and significant changes were required to processes and systems to ensure compliance. The additional annual cost to the University of increased numbers of staff participating in pension arrangements was, as expected, not material and a reasonable estimate has been included within future budgets and plans.

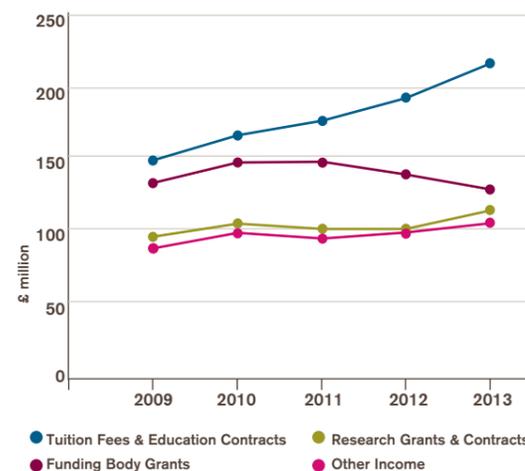
Treasurer's Report

Income analysis

Income increased by £41m (7.8%) compared to last year, with tuition fees now representing nearly 40% of the University's total income. This will continue to grow as further cohorts of HEU students move onto the new higher fees regime. The corresponding reduction in grant funding will partially offset this growth. The University maintained its high levels of demand for places and achieved its targeted total number of students.

After a number of years of stable income, research increased by 12% representing the growth in awards won over the previous years. The order book remains strong for the years ahead.

Income diversification remains key to maintaining growth with the new hotel, opened in November 2012 providing enhanced facilities to the University's already successful conferencing business.



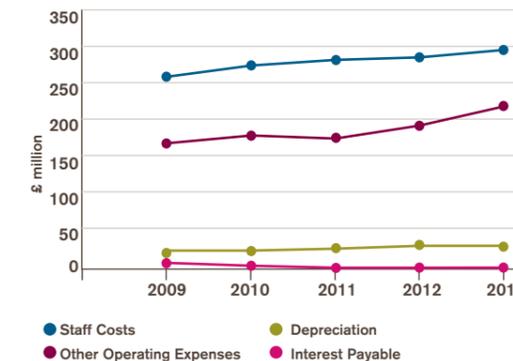
Expenditure analysis

Whilst cost control remains a key University objective, costs did increase by £38m (7.6%).

Staff costs represent the largest proportion at 55%; this is down from an average of 57% for the previous 5 years. Pay costs increased by 4% on last year despite a 4% increase in staff numbers with over 75% of total staff costs relating to Teaching and Research staff to support the University's mission.

Additional costs have been incurred during the year, particularly regarding energy. Some of this increase reflects the global rise in energy prices, but the continued development of the University's campuses to enhance the student and staff experience results is also a factor, although each new building aims to be more and more energy efficient.

Increased spend has also occurred on fellowships and scholarships as part of the widening access agenda.



Treasurer's Report

Research

Funding for pioneering research at The University of Nottingham is at an all-time high with academics securing over £170million worth of new grants in the last year.

Despite the tougher climate affecting grant awards, academics at the University have secured record funding during the last financial year, which is a 25% increase on the prior year's total. This exceptional increase is a significant endorsement of the University's national and international reputation as a research centre of excellence.

A key area which has seen an especially large increase in funding is Engineering, which has more than doubled the value of grants received compared to last year, increasing by 118%. Medicine and Health Sciences have also brought in 38% more funding than in the previous year.

Significant individual grants gained this year by University of Nottingham researchers include:

- Engineering - A new £18million national research centre into power electronics. The EPSRC National Centre of Excellence for Power Electronics, has its coordinating hub at Nottingham, and involves researchers at the universities of Manchester, Newcastle, Cambridge, Greenwich, Bristol, Sheffield, Strathclyde, Warwick and Imperial College London. The Centre is also working closely with industrial partners to stimulate knowledge transfer and take new components and devices from the lab to the marketplace.
- Medicine and Health Sciences - The new £3m MRC-Arthritis UK Centre for Musculoskeletal Ageing Research is a partnership between The University of Nottingham and University of Birmingham. The Centre, which is one of two new centres to be funded by the Medical Research Council (MRC) and Arthritis Research UK, will study what goes wrong with our bones, joints, ligaments and muscles as we age; the neural and psychological changes that occur; and how diet, exercise and other interventions could help prevent frailty as we age.
- Science - The new Centre for Innovative Manufacturing in Food will be led by the University's School of Biosciences with funding worth £4.5m from the Engineering and Physical Sciences Research Council (EPSRC). The Centre will look at tackling the two biggest research priorities of the 21st Century – how we can meet the world's growing appetite for sustainable food production and how to create novel medical devices to improve healthcare.

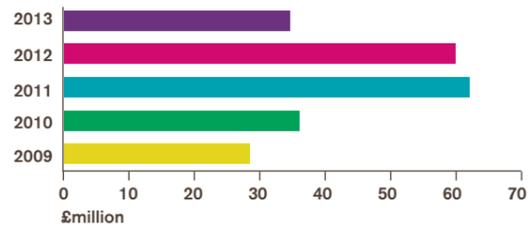
Capital expenditure and financing

Capital expenditure of £35m was down on the previous two years of £60m per annum as a number of major projects were completed, notably the hotel (total cost £22m), Aerospace Research Centre (£5m) and School of Contemporary Chinese Studies (£8m).

The Orchard Hotel opened in November 2012 and was designed to complement the University owned East Midlands Conference Centre, both are run by De Vere Venues. The hotel was built to the highest environmental standards featuring state of the art technology to minimise carbon emissions including a green roof, photovoltaic panels, energy-efficient lighting, heating and ventilation systems.

During the year over £50m funding was approved for new major capital projects to be delivered by 2015. These include:

- Replacement changing facilities and new sports pavilions for the Grove Farm sports grounds (£5m)
- A new Science & Engineering library on University Park (£19m)
- The GlaxoSmithKline Carbon Neutral Laboratory for Sustainable Chemistry on Jubilee campus (£20m)
- Student Amenities building on Sutton Bonington campus (£9m)



The University was awarded a BREEAM Outstanding rating for its Energy Technologies Building – making it the first laboratory in England to achieve this. A BREEAM Outstanding rating is the highest possible for environmental sustainability. The BRE Environmental Assessment Method – known as BREEAM – is the world's leading design and assessment method for sustainable buildings. Based at the University's Innovation Park, the Energy Technologies Building is an exemplar low carbon building and dedicated to the research and development of sustainable energy technologies. The building is also home to the UK's first hydrogen refueling facility.

Treasurer's Report

Cash and Liquidity

Cash flow from operating activities remained strong at £25m (2012: £42m). Net cash inflow was breakeven for the year, as last year, following the reduced level of capital expenditure in the year.

Continued higher levels of surplus will be required in future years to generate cash for the required investment in University infrastructure given the expected reduction in Government funding for capital projects.

At 31 July 2013 the University had bank loans and overdraft of £11.6m off-set by £4.8m of cash and short-term deposits (31 July 2012: loans of £29.3m off-set by £18.4m of cash and short-term deposits).

The University has a committed facility to borrow up to £115m, comprising of £100.4m revolving credit facility plus £15m multi-option facility. Interest on the University's loans from the Royal Bank of Scotland is at a rate linked to LIBOR. The revolving credit facility is amortised, quarterly over 25 years from October 2010.

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. Surplus cash is only invested with counterparties for short periods. All counterparties are approved by the University's Finance Committee, with a maximum of £10m being deposited with any counterparty.

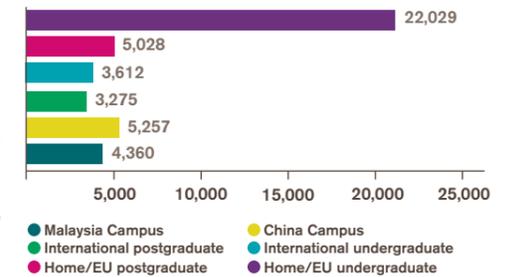
Credit rating

In July the University maintained its "AA- Stable" Credit Rating from Standard & Poors. The report reflects high levels of student demand, supported by the university's academic reputation and its continued sound financial performance, which is expected to be maintained over the rating horizon. Its major rating factors were:

- Strengths:
- High student demand levels, supported by the university's high academic standing.
 - Sound financial performance expected over the rating horizon.
 - Strong financial management, conducive to responding effectively to significant sector changes.
- Weaknesses:
- Weakening public sector funding support for the sector, combined with greater competition for quality students and alternative funding sources.
 - Access to liquidity relies on committed facilities arranged with a single lender.

Student analysis

The total number of students enrolled across all campuses in 2013 increased by nearly 1,000 to 43,561. The growth reflects the investment in the core infrastructure at the campuses in the UK, Malaysia and China. Whilst home and EU numbers have dropped slightly there has been growth in both International students and those studying at the overseas campuses.



Conclusion

The University has maintained its record of reporting good financial performance whilst still investing in its students and its core activities. Student demand remains strong so the University is able to secure the required number of high quality students. The Higher Education market is still subject to considerable uncertainty but the University by continuing to attract excellent students, producing high quality research and maintaining a strong financial base is well placed to meet the challenges.

Colin Gillespie,
Treasurer & Chair of Finance Committee
October 2013



Public Benefit Statement

The University of Nottingham is an exempt charity. The University and the Council have had regard to the Charity Commission's guidance on public benefit, and Council has noted the number of ways in which the University has delivered its charitable purposes for the public benefit.

As a charity, the University is able to provide financial assistance to support those students who without that help may otherwise be unable to attend.

The University's Mission as stated in its Strategic Plan 2010-15 is:

"At The University of Nottingham we are committed to providing a truly international education, inspiring our students, producing world-leading research and benefitting the communities around our campuses in the UK, China and Malaysia. Our purpose is to improve life for individuals and societies worldwide. By bold innovation and excellence in all that we do, we make both knowledge and discoveries matter."

The aim is to enrol and retain, on all UK-based courses, UK students from backgrounds currently under-represented at the University.

The University offers an extensive range of scholarships to encourage academic excellence, aid diversity, and offer real financial assistance in cases of hardship.

For home students there are a wide range of bursary and scholarship schemes. These funds provide an additional source of non-repayable financial help. They are paid direct to the student on top of any other student loans or grants received.

International students can take advantage of one of the UK's largest scholarship portfolios. As well as scholarships run by the International Office, many of the University's Schools and Departments also have their own scholarships that can be applied for.

In 2012/13 almost 9,000 awards were made to students for bursaries, scholarships and hardship awards totalling over £11.5m, whilst the number of students receiving awards remained the same the value increased by £3m from £8.5m in 2011/12.

The University encourages and supports its students to undertake some form of international mobility – whether via exchanges with other universities, completing part of their courses at the campuses in Asia, or by study or work placements abroad. As a result, over 20 per cent of students have some form of international experience while studying at Nottingham, which is among the highest in the UK.

The University continues to expand the Nottingham Potential programme, with the opening of the third community-based learning centre, in partnership with *IntoUniversity*, scheduled for the autumn of 2013. The expansion represented by Nottingham Potential is underpinned by our longer-standing outreach programme. The Widening Participation team continues to work with over 100 secondary schools and colleges, offering activities for every group from year 7 to mature students on Access courses. Activities include awareness-raising visits to the campus, advice on choosing GCSE options and post-16 subjects and courses, UCAS personal statement workshops and 'taster days'.

In December 2012, the University received approval from the Secretary of State for Education for Firbeck Nursery and Primary School with Individual Needs Centre for Deaf Children to be co-sponsored by the University and Sir David Samworth. This had always been viewed as an opportunity to move towards an 'all-through' school as set out in the original proposal to sponsor Nottingham University Samworth Academy (NUSA) and both schools are now governed as part of a multi-academy trust.

The two schools have a history of working together and are further linked through their provision of specialist support for deaf pupils. Working within the trust will enable the academies to share resources and expertise for the benefit of pupils from the age of 3 to 19.

The links with the University cover all areas of governance, the development of the staff and strategic direction. The aims are to grow the quality of the teaching provision and pastoral care.

Nottingham University Academy for Science and Technology (NUAST) is a joint venture between the University, the Djanogly Learning Trust and lead employer partner Toshiba Information Systems (UK) Ltd. With a focus on overcoming local and regional skills shortages and employment needs, the core specialist areas for NUAST will be Engineering, Science and Information Technology. The NUAST curriculum will offer a range of experiences that will provide innovative opportunities for learning. It will aim to develop young people so that they become entrepreneurial, independent, interdependent and confident learners. Working with employer partners, the curriculum model will blend real work-based learning and academic rigour.

NUAST is scheduled to open in September 2014 and will be located at a site in Dunkirk, near to the University Park campus. Its aim is to provide an inspiring and business-focused educational choice for 800 students aged 14-18, together with approximately 60 students aged 18-19 engaged in apprenticeships, foundation degrees and clear pathways to higher education.

Public Benefit Statement

OFFA has recommended that universities recruiting low proportions of low-income students should spend between 30% and 35% of additional fees income from the 2012 entry cohort on widening participation. This is in addition to the expenditure from fees income from earlier cohorts, which is calculated differently.

The University has made excellent progress in widening participation over the last six years. Over 24.6% of UK students entering the University in September 2012 were from low-income backgrounds, up from 17% in 2004. As a consequence of this achievement the target has been increased from 25% to 28% for the 2016/17 intake. This success informs our strategy for the future, at the heart of which lies the continuation of our current approach, but with a greater focus on longer-term local initiatives aimed at delivering major improvements in educational attainment and progression to higher education in the more disadvantaged parts of our region.

The University of Nottingham's total OFFA-countable expenditure on access and widening participation in 2012/13 was £12.4m. This is forecast to rise to £16.3m by 2014-15 and includes:

- £2.1m on outreach and student success
- £10.3m on fee waivers, bursaries and scholarships for new and continuing students (including £1.5m as our institutional contribution to the National Scholarship Programme)

The University of Nottingham Students' Union charity organisation, Karnival, is now the largest student-led fundraising group in Europe, after raising £1.6 million during 2012 for good causes.

The record breaking total was achieved after students organised a series of fundraising events throughout the year. These included summer challenges to Mount Kilimanjaro and South America, cycle trips across countries as well as large-scale fundraising events in Nottingham.

Volunteering activity in schools continues to receive strong support from our staff and students. Many students volunteer for placements in local classrooms, acting as informal role models and providing practical assistance to teachers. Dozens more undertook placements in social enterprises, third sector and community organisations, while students and staff alike volunteer for aspiration-raising activities in local primary schools. This extends to the University of Nottingham Ningbo China, where an average of 1,500 students take part in voluntary work every year.

After two successful Life Cycles, the Vice-Chancellor and his team were back in the saddle again in August this year for the charity cycling challenge Life Cycle 3. An epic 1,100+ mile ride in aid of Stroke Rehabilitation Research at the University taking in all the capitals of the United Kingdom and Republic of Ireland. In addition there were three community events taking place in tandem with Life Cycle 3 for all staff to get involved.

An exhibition of photographs from the Nottingham-based film Saturday Night and Sunday Morning was the latest in a long line of success stories for Lakeside, The University of Nottingham's public arts centre. Saturday Night and Sunday Morning: The authentic moment in British Photography exhibition attracted over 18,000 people during November 2012. The exhibition was inspired by Alan Sillitoe's groundbreaking novel and film adaptation charting a year in the life of Arthur Seaton, a machinist at the Raleigh cycle factory – which is now the site of the University's Jubilee Campus.

The University of Nottingham secured a prestigious Green Flag Award for a second site as Jubilee Campus' impressive outside space and sustainable credentials were honoured. Jubilee was established in 1999 on a former industrial site and has been transformed into an environmentally-friendly campus with lakes, sustainable buildings and lots of open green space. Nottingham was the first university to be awarded a Green Flag in 2003 for its University Park campus, and has continued to receive them every year since. This is the first time Jubilee Campus has been entered for consideration.

In research the members of the academic community endeavour to produce world-changing results by turning their talents and abilities to the problems and challenges which affect societies and people on a wide scale.

Research teams in health and medical care are working on new treatments and diagnostic techniques for a huge range of disease and conditions including cancer, stroke, heart disease, arthritis, malaria, multiple sclerosis, Alzheimer's Disease and many others. Their work has the potential to improve life for millions of people around the world.

A wide range of small and medium businesses have benefited from the skills and facilities at The University of Nottingham. The University's Business Engagement and Innovation Services team works closely with SMEs as part of a knowledge transfer partnership or through their employment of our consultants on research projects to increase their competitive edge. The Careers and Employability Service offers a free vacancy advertising service for businesses. It proactively develops relationships with organisations across all sectors to enable them to benefit from student and graduate talent.

The University is committed to the city of Nottingham and the local communities and believes it is essential that staff and students see themselves as part of the larger global community.

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. The most recent review of Council effectiveness concluded in 2010 and confirmed that governance arrangements were well aligned with the Code. A number of enhancements were introduced following the review and a reduction in the size of the Council, to 25 members, took effect from the start of the 2011-12 session. Further changes to Council's operations have since been introduced arising from the Effectiveness Review and as a result of changes to the University's Charter and Statutes as approved by Privy Council in 2010.

In order to comply with the Code the Council approved the following Statement of Primary Responsibilities in March 2010 (subsequently modified following changes to the Charter and Statutes in July 2010):

Statement of the role and primary powers and responsibilities of University Council:

1. Role

The University Council is the governing body of the University. It is responsible for overseeing the University's activities, determining its future direction and developing and sustaining an environment in which its mission is achieved and learning is fostered.

The Council is responsible for ensuring compliance with the Charter, Statutes and Ordinances regulating the University and its governance framework. Subject to these it makes all final decisions on matters of fundamental concern to the University.

2. Membership and meetings

Council has a clear majority of external members who are independent of the University. Its membership also includes the Vice-Chancellor and members drawn from the Pro Vice Chancellors. Recognising the distinctive characteristics and requirements of a University, the Council also includes members elected by and from the Senate and student members, the President of the Students' Union and one other student. Council meetings are also attended by the Registrar and Chief Financial Officer.

Members of Council must conduct themselves in accordance with accepted standards of behaviour in public life - including those relating to conflicts of interest. These require selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

All members of Council, including Senate and student members, are under an obligation to make decisions solely in accordance with the best interests of the University and should not act in accordance with the interests or delegations of the constituencies by which they are elected. Student members are not present when specific matters relating to individual members of staff and their remuneration or individual students are discussed.

Council normally meets six times a year. The Registrar is the Secretary to Council.

External members are elected for terms of four years and may serve for two terms, although if elected as an Officer of the University their previous service is disregarded for the purpose of calculating terms.

3. Primary powers and responsibilities

Overall powers and responsibilities

- 3.1 *To approve the mission and strategy of the University and its academic and business plans;*
- 3.2 *To ensure that processes are in place to monitor the performance and effectiveness of the University against plans and agreed performance indicators and benchmarking against comparable universities;*
- 3.3 *To appoint the Vice-Chancellor, after considering a report from a Joint Committee of Council and Senate (which is chaired by the President of Council) and to put in place arrangements for monitoring the Vice-Chancellor's performance and providing feedback;*
- 3.4 *To delegate authority to manage the University to the Vice-Chancellor, who is the Chief Executive of the University. This includes its corporate, financial, estate and personnel management. The Council will regularly review the policies, procedures and limits for delegated authorities;*
- 3.5 *To act as the principal financial and business authority of the University; including approving annual audited financial statements, appointing external auditors, approving budgets and financial plans, approving transactions, contracts, leases, investments and banking arrangements (subject to approved delegated limits), ensuring the maintenance of proper accounting records, having overall responsibility for the University's assets, property and estate, having overall responsibilities for the University's liabilities, including pension liabilities (subject to approved delegated limits) and acting as trustee for legacies endowments, bequests or gifts;*
- 3.6 *To ensure the establishment and monitoring of effective systems of internal control and accountability, including financial and operational controls and the management of conflicts of interest. To establish appropriate procedures for internal audit and monitor the results of internal audit work;*
- 3.7 *To ensure procedures for assessing risk and risk mitigations and controls, consider the assessments arising and ensure that appropriate actions are taken to respond to risk;*
- 3.8 *To receive reports on and consider teaching and research and pastoral care and student development;*

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- 3.9 To be the employing authority for all of the staff employed by the University and to approve and monitor its human resources strategy and practices;
- 3.10 To establish and receive reports from a Remuneration Committee, comprising external members, which determines the remuneration of the Vice-Chancellor, approves proposals from the Vice-Chancellor for the remuneration of senior management and professorial staff and reviews overall remuneration and remuneration policies;
- 3.11 To establish delegated procedures for the appointment of staff and the approval of contracts with staff and to appoint external members of Council to Appointment Committees dealing with senior appointments or appointments when the involvement of external members of Council would be appropriate;
- 3.12 To appoint Committees for hearing grievances and to consider redundancies and appeals in relation to employment matters and to receive reports from the Committees and, where relevant, approve the recommendations of the Committees;
- 3.13 To ensure that non-discriminatory systems are in place to provide Equality and Diversity of opportunity for staff and students and to monitor their effectiveness;
- 3.14 To have ultimate responsibility for the Health and Safety of employees, students and others affected by its operations. This responsibility includes ensuring that there is a written statement of policy, arrangements for the implementation of the policy and appropriate monitoring;
- 3.15 To be the University's legal authority, ensuring that processes are in place for managing legal obligations arising from contract and legal commitments and ensuring they are complied with;
- Other powers and responsibilities*
- 3.16 To propose amendments to the Charter and to draft and enact Statutes, provided that Senate is given the opportunity to submit reports on any proposals for change to the Charter or Statutes, and to approve Ordinances and Regulations;
- 3.17 If necessary to appoint an Acting Vice-Chancellor;
- 3.18 To appoint a Chancellor;
- 3.19 To elect the President of Council to act as its chair and to elect Pro-Chancellors, the Treasurer and the Vice-President of Council;
- 3.20 To appoint external members of Council on the recommendation of the Nominations Committee. The Nominations Committee is responsible for the recruitment and assessment of possible candidates and for considering and making recommendations on the appropriate balance and diversity of skills, expertise, attributes and backgrounds within Council;
- 3.21 To establish appropriate procedures for rotation and induction of members;
- 3.22 To appoint annually the Chairs and the external members of Council Committees and to approve the terms of reference of Council Committees;
- 3.23 To delegate in accordance with Ordinances the appointment of Emeritus Professors and Honorary Professors, Readers, Lecturers or Fellows, to regulate the conferment of Honorary Degrees and to establish delegated procedures for appointing external examiners;
- 3.24 To approve the expulsion of students;
- 3.25 To establish processes to monitor and evaluate the effectiveness of Council; including a formal review to be conducted at least every four years;
- 3.26 To exercise all such powers as are or may be conferred on the Council by the Charter, Statutes, Ordinances and Regulations and to ensure compliance with the University's Charter, Statutes, Ordinances and Regulations;
- 3.27 To appoint a Secretary in accordance with Statutes and Ordinances and ensure that there is a direct and effective line of accountability to the President of Council in relation to Council business;
- 3.28 To oversee the Students' Union;
- 3.29 To select a Seal Arms and a Mace for the University and have the sole custody and use of the Seal.
- In 2012-13 the Council of the University comprised the Chancellor (to 31 December 2012), Vice-Chancellor, up to 14 external, two student and eight 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 six 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 includes in its membership a majority of external members, inter alia recommends to Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The Committee also reviews major investment decisions prior to final approval by Council.
- The Strategy and Planning Committee 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 in accordance with Statute 6.
- The Audit Committee only comprises external members and meets at least four 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,

Governance

internal control and governance, together with management's response and implementation plans and with the Senior Strategy and Risk Analyst to consider the University Risk Register and the effectiveness of the mitigations to the main risks affecting the activities of the University. 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, with the Vice-Chancellor attending at least once per annum, 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 members and the Vice-Chancellor, determines the salaries senior staff of the University. The salary of the Vice-Chancellor is determined by the external members of the Committee.

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 Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Chief Financial Officer, the Registrar and the Chief Estates and Facilities Officer. 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 Deputy Vice-Chancellor and the Pro-Vice-Chancellors have specific responsibilities for major policy areas, whilst responsibility for professional services is largely 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 formal statements presented by the Vice-Chancellor statement, which is also delivered at the University's Senate meetings.

Senate, membership of which includes senior academics from across the University (in the UK, Malaysia and China) as well as student members, meets three times a year. Inter alia, it has the power, subject to the Statutes and Ordinances, to oversee teaching, education and research and is responsible for the academic quality and standards of the University.

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 HEFCE.

The system of internal control and risk management 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 and risk management 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:

- Council considers the plans and strategic direction for the institution on a regular basis, 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. Reports are also received from the External Auditors as part of their year-end work.
- An organisation-wide risk management framework, which implements the University's Risk Management Policy, is maintained and considered regularly by Management Board. The Audit Committee considers the effectiveness of the mitigations of the main risks to achieving the University's activities, including those reported through the University Risk Register. Risk considerations form part of the annual budgeting and planning cycle and inform the work undertaken by Internal Audit.
- 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.

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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 October 2009 and was subject to an external review in July 2012.

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 auditor 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 and Statutes, 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 auditor's 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 2013 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the statement of consolidated total recognised gains and losses, the consolidated and University balance sheets, the consolidated cash flow statement, the reconciliation of net debt and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the Members of Council those matters we are required to state to it in an auditor's 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 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 of the University and auditor

As explained more fully in the Council Responsibilities Statement, the Council is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and University's affairs as at 31 July 2013 and of the surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2013 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2013 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control is inconsistent with our knowledge of the University.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK



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 University and group has adequate financial resources to continue in operational existence for the foreseeable future, being not less than twelve 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 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.

Statement of Principal Accounting Policies

5. Foreign Currencies

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

6. Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

7. Carbon Reduction Commitment

Allowances

Carbon Reduction Commitment Allowances are recognised as an asset at cost until such time as prescribed by Government policy that the allowances are offset against carbon emitted or sold. Liabilities are accrued during the year as energy is consumed.

8. Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight-line basis over its useful economic life. Useful economic life is assessed separately for each business acquired, depending on the nature of that business. Provision is made for any impairment.

9. Land and Buildings

For 2013 the policy was changed to state land at valuation, rather than cost. The valuation of land was undertaken during the year by Fisher Hargreaves Proctor Ltd, Property Consultants. The basis of valuation being open market value on an existing use basis. Land values will be reviewed every three years with a full revaluation every five years. 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. The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over cost relating to the land, or the reversal of such a deficit, is charged or credited to the income and expenditure account. A deficit which represents clear consumption of economic benefits is charged to the income and expenditure account regardless of any such previous surplus.

Buildings are stated at cost, other than those held as investments. 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.

10. 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:

- IT Equipment – 3 – 5 years
- IT Software – 3 years
- Telephone equipment – 7 years
- Motor vehicles and other general equipment – 3 – 10 years
- Equipment acquired for specific research projects – project life (generally 3 years)

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

Heritage Assets are recorded at cost and not depreciated.

11. 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.

Statement of Principal Accounting Policies

12. 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.

13. 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.

14. 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.

15. 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.

16. Taxation Status

The Institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 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.

Certain activities undertaken by the Institution are subject to Corporation Tax. These are primarily handled through subsidiary companies with taxable profits gift aided to the University or off-set against taxation losses.

The Institution receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Consolidated Income and Expenditure Account

For the Year Ended 31 July 2013

	Note	2013 £m	2012 £m
INCOME			
Funding body grants	1	125.0	139.3
Tuition fees and education contracts	2	220.4	185.2
Research grants and contracts	3	111.8	100.1
Other operating income	4	102.2	94.5
Endowment and investment income	5	1.5	1.2
Total income		<u>560.9</u>	<u>520.3</u>
EXPENDITURE			
Staff costs	6	295.2	284.0
Other operating expenses	7	216.8	190.5
Depreciation	12	24.0	23.8
Interest and other finance costs	8	2.5	2.0
Total expenditure	9	<u>538.5</u>	<u>500.3</u>
Surplus for the year before associates		22.4	20.0
Share of (losses) / profits in associated companies	13	(0.4)	3.9
Surplus for the year after associates		<u>22.0</u>	<u>23.9</u>
Surplus for the year transferred from accumulated income in endowment funds		0.2	0.2
Net surplus for year retained within general reserves	22	<u>22.2</u>	<u>24.1</u>
The consolidated income and expenditure of the University and its subsidiaries materially relate to continuing operations.			
Historical cost surplus for the year		<u>22.2</u>	<u>24.1</u>



Statement Of Consolidated Total Recognised Gains And Losses

For the Year Ended 31 July 2013

	Note	2013 £m	2012 £m
Surplus for the year after associates		22.0	23.9
Appreciation / (depreciation) of endowment asset investments	20	4.3	(0.3)
New endowments	20	1.9	0.8
Unrealised surplus on revaluation of investment properties	21	0.2	0.3
Unrealised surplus on revaluation of listed investments	21	0.7	0.0
Unrealised surplus on revaluation of land	21	191.8	0.0
Exchange movements on share of associates		1.4	0.6
Wanli Education Group funds for capital programme	22	0.4	7.0
Actuarial gain / (loss) on pension scheme	31	1.3	(30.4)
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		224.0	1.9
Reconciliation			
Opening reserves and endowments		184.0	
Total recognised gains for the year		224.0	
Closing reserves and endowments		408.0	

Balance Sheets

As at 31 July 2013

	Note	Consolidated		University	
		2013 £m	2012 £m	2013 £m	2012 £m
FIXED ASSETS					
Carbon reduction commitment	10	0.7	0.6	0.7	0.6
Goodwill	11	0.1	0.7	0.0	0.0
Tangible assets	12	679.2	477.7	677.3	475.4
Investments	13	34.4	33.0	11.7	11.5
		714.4	512.0	689.7	487.5
INVESTMENT PROPERTIES	14	3.5	3.3	3.5	3.3
ENDOWMENT ASSETS	15	38.6	32.7	38.6	32.7
CURRENT ASSETS					
Stocks		1.7	1.5	1.4	1.4
Debtors	16	63.1	51.4	66.4	53.8
Short term investments		1.0	11.9	0.5	11.1
Cash at bank and in hand		3.8	6.5	1.8	6.1
		69.6	71.3	70.1	72.4
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(158.0)	(152.1)	(156.4)	(150.8)
NET CURRENT LIABILITIES		(88.4)	(80.8)	(86.3)	(78.4)
TOTAL ASSETS LESS CURRENT LIABILITIES		668.1	467.2	645.5	445.1
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(8.4)	(26.1)	(8.4)	(26.1)
NET ASSETS EXCLUDING PENSIONS LIABILITY		659.7	441.1	637.1	419.0
PENSIONS LIABILITY	31	(77.4)	(81.4)	(77.4)	(81.4)
TOTAL NET ASSETS INCLUDING PENSIONS LIABILITY		582.3	359.7	559.7	337.6
DEFERRED CAPITAL GRANTS	19	174.4	175.7	174.2	175.4
ENDOWMENTS					
Expendable	20	0.5	0.8	0.5	0.8
Permanent	20	38.1	31.9	38.1	31.9
		38.6	32.7	38.6	32.7
RESERVES					
Income and expenditure account excluding pension reserve	22	251.1	229.8	228.7	208.0
Pension reserve	31	(77.4)	(81.4)	(77.4)	(81.4)
		173.7	148.4	151.3	126.6
Income and expenditure account including pension reserve		173.7	148.4	151.3	126.6
Revaluation reserve	21	195.6	2.9	195.6	2.9
		369.3	151.3	346.9	129.5
TOTAL FUNDS		582.3	359.7	559.7	337.6

The financial statements on pages 22 to 46 were approved by Council on 22 October 2013 and signed on its behalf by:

PROFESSOR DAVID GREENAWAY
Vice-Chancellor

COLIN GILLESPIE
Treasurer and Chairman of Finance Committee

ANDREW UNITT
Chief Financial Officer

Consolidated Cash Flow Statement

For the Year Ended 31 July 2013

	Note	2013 £m	2012 £m
Net cash inflow from operating activities	26	24.7	42.2
Returns on investments and servicing of finance	27	(1.0)	(0.8)
Capital expenditure and financial investment	28	(20.9)	(43.2)
Cash inflow / (outflow) before use of liquid resources and short-term investments		2.8	(1.8)
Management of liquid resources	30	10.9	(4.7)
Financing	29	(17.7)	15.2
(DECREASE) / INCREASE IN CASH	30	(4.0)	8.7

Reconciliation Of Net Cash Flow To Movement In Net Debt

	2013 £m	2012 £m
(Decrease) / increase in cash in the year	(4.0)	8.7
(Decrease) / increase in short term investments	(10.9)	4.7
Repayment of debt	29	134.0
New loans	29	(149.2)
CHANGE IN NET DEBT	2.8	(1.8)
NET DEBT AT 1 AUGUST	(5.3)	(3.5)
NET DEBT AT 31 JULY	(2.5)	(5.3)

Notes to the Accounts

1. Funding Body Grants	2013 £m	2012 £m
Recurrent grants from HEFCE	111.5	124.2
Specific grants from HEFCE	2.6	2.4
Grants from TA	1.1	2.9
Deferred capital grants released in year		
Buildings (Note 19)	3.7	3.1
Equipment (Note 19)	6.1	6.7
	125.0	139.3
2. Tuition Fees and Education Contracts	2013 £m	2012 £m
Full-time credit bearing courses - home fees	97.4	67.3
Full-time credit bearing courses - international fees	84.9	78.9
Part-time credit bearing courses	3.7	3.8
Other teaching contracts	24.1	26.2
Non credit bearing courses and other fees	10.3	9.0
	220.4	185.2
3. Research Grants and Contracts	2013 £m	2012 £m
Research councils	46.0	43.1
UK based charities	9.6	9.9
UK central/local government, health and health authorities	18.1	17.1
UK industry, commerce and public corporations	9.9	10.0
EU government and other sources	16.7	14.2
Other grants and contracts	11.5	5.8
	111.8	100.1
4. Other Operating Income	2013 £m	2012 £m
Residences, catering and conferences	34.0	31.0
Other services rendered	30.2	27.1
Health authorities	10.4	10.9
Released from deferred capital grants	1.1	0.6
Other income	26.5	24.9
	102.2	94.5
5. Endowment and Investment Income	2013 £m	2012 £m
Income from permanent endowments (Note 20)	1.2	1.1
Other interest receivable	0.3	0.1
	1.5	1.2

Notes to the Accounts

	2013 £m	2012 £m
6. Staff		
Staff Costs:		
Gross pay	244.5	235.0
Social security costs	19.3	18.8
Other pension costs (Note 31)	31.4	30.2
	295.2	284.0
	2013	2012
	£000	£000
Emoluments of the Vice Chancellor		
Basic salary	274.0	274.0
Accommodation allowance	42.0	42.0
Taxable expenses and private health policy	2.0	2.0
	318.0	318.0
In lieu of pension contributions	39.0	13.0
Remuneration	357.0	331.0
Employers pension contributions	0.0	29.0
Total cost	357.0	360.0

University pension contributions to USS are paid at the same rate as for other academic staff.

Pension contributions have reduced due to lifetime tax allowance issues. A specific contractual clause means that additional emoluments equivalent to the pension contributions foregone is included within remuneration.

	2013 £000	2012 £000
Compensation for loss of office paid (or payable) to employees earning in excess of £100,000 per annum, this value principally represents the early retirement funding charge paid to the USS pension scheme.	678.0	0.0
	2013	2012
	Number	Number
Average staff numbers by major category:		
Teaching and research	3,099	2,986
Technical	600	596
Administrative	2,040	1,902
Other, including clerical and manual	779	782
	6,518	6,266

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:

Notes to the Accounts

	2013 Number	2012 Number
6. Staff continued		
£100,000 - £109,999	36	27
£110,000 - £119,999	23	19
£120,000 - £129,999	18	10
£130,000 - £139,999	7	4
£140,000 - £149,999	7	15
£150,000 - £159,999	14	14
£160,000 - £169,999	11	9
£170,000 - £179,999	7	7
£180,000 - £189,999	6	6
£190,000 - £199,999	2	2
£200,000 - £209,999	2	1
£230,000 - £239,999	0	1
£270,000 - £279,999	1	0

Expenses paid to Council members who are not staff or students (as listed within these financial statements) totalled £3,750 (2012 £10,787).

	2013 £m	2012 £m
7. Other Operating Expenses		
Amortisation of goodwill (Note 11)	0.6	0.6
Purchase, hire and repair of equipment	24.4	21.0
Consumables and laboratory expenditure	19.6	18.7
Published materials	6.9	6.5
Travel and subsistence	14.3	12.9
Professional and other fees	46.6	37.8
Fellowships, scholarships and prizes	42.3	36.5
Catering supplies	6.4	5.8
Repairs and general maintenance	14.4	14.3
Heat, light, water and power	15.5	12.9
Rent, rates and insurance	4.5	4.6
Grants to University of Nottingham Students Union	2.0	1.8
Auditor's remuneration	0.2	0.1
Training	1.8	2.0
Advertising	1.2	1.3
Impairment of investments	0.9	0.6
Other expenses	15.2	13.1
	216.8	190.5

Auditor's remuneration includes £103,800 in respect of audit services for the group, of which £77,700 relates to the University, and £133,600 in respect of non audit services comprising predominantly of enterprise architecture consultancy. The 2012 expenditure was £89,200, £68,200 and £21,300 respectively.

Impairment of investments contains both the direct impairment of investment holdings £0.6m (2012 £0.4m) and the impairment of loan balances to those companies £0.3m (2012 £0.2m).

	2013 £m	2012 £m
8. Interest and Other Finance Costs		
Loans not wholly repayable within five years	0.2	0.2
Finance costs for pension scheme (Note 31)	2.3	1.8
	2.5	2.0

Notes to the Accounts

9. Analysis of Expenditure by Activity

	Staff Costs £m	Dep'n £m	Other Operating Expenses £m	Interest Payable £m	2013 Total £m	2012 Total £m
Academic departments	179.8	6.3	51.9	0.0	238.0	229.3
Research grants and contracts	42.5	2.3	41.3	0.0	86.1	76.8
Total teaching and research	222.3	8.6	93.2	0.0	324.1	306.1
Academic services	19.0	3.7	23.5	0.0	46.2	42.5
Administration	28.8	0.1	39.0	0.0	67.9	57.7
Premises	10.1	9.1	30.4	0.1	49.7	47.0
Residences, catering and conferences	9.4	1.5	15.3	0.0	26.2	22.5
Other expenses	5.6	1.0	15.4	2.4	24.4	24.5
Total per income and expenditure account	295.2	24.0	216.8	2.5	538.5	500.3

10. Carbon Reduction Commitment

	Consolidated and University	
	2013 £m	2012 £m
Carbon dioxide emission allowances purchased in year	0.7	0.6

Carbon allowances are purchased annually from the Department of Energy and Climate Change. They may be redeemed against the internal production of carbon, with additional allowances purchaseable at a higher price should emissions exceed the allowances purchased. The redemption is an annual process in April each year, with April 2012 to April 2013 being the first year of the scheme. The University has accrued for the carbon generated in the months April 2013 to July 2013 and the liability is included within accruals and deferred income in note 17.

11. Goodwill

	Consolidated £m
Cost	
At 1 August 2012	1.9
At 31 July 2013	1.9
Amortisation	
At 1 August 2012	1.2
Charge for the year	0.6
At 31 July 2013	1.8
Net book value	
At 31 July 2013	0.1
At 31 July 2012	0.7

Goodwill arises on consolidation and does not exist within the balance sheet of the University.

Notes to the Accounts

12. Tangible Fixed Assets

	Consolidated					
	Land and Buildings Freehold £m	Leasehold Long £m	Equipment £m	Assets in Course of Construction £m	Heritage Assets £m	Total £m
Cost						
At 1 August 2012	463.3	15.2	134.6	30.0	0.5	643.6
Additions at cost	18.2	0.0	8.6	8.3	0.0	35.1
Revaluation	191.8	0.0	0.0	0.0	0.0	191.8
Transfers	25.4	0.0	3.5	(28.9)	0.0	0.0
Disposals	(1.1)	0.0	(2.6)	(0.3)	0.0	(4.0)
At 31 July 2013	697.6	15.2	144.1	9.1	0.5	866.5
Depreciation						
At 1 August 2012	79.9	2.9	83.1	0.0	0.0	165.9
Charge for year	10.3	0.1	13.6	0.0	0.0	24.0
Eliminated on disposals	(0.1)	0.0	(2.5)	0.0	0.0	(2.6)
At 31 July 2013	90.1	3.0	94.2	0.0	0.0	187.3
Net Book Value						
At 31 July 2013	607.5	12.2	49.9	9.1	0.5	679.2
At 31 July 2012	383.4	12.3	51.5	30.0	0.5	477.7
	University					
	Land and Buildings Freehold £m	Leasehold Long £m	Equipment £m	Assets in Course of Construction £m	Heritage Assets £m	Total £m
Cost						
At 1 August 2012	462.5	15.2	133.1	29.2	0.5	640.5
Additions at cost	18.2	0.0	8.6	8.3	0.0	35.1
Revaluation	191.8	0.0	0.0	0.0	0.0	191.8
Transfers	25.4	0.0	2.7	(28.1)	0.0	0.0
Disposals	(1.1)	0.0	(2.6)	0.0	0.0	(3.7)
At 31 July 2013	696.8	15.2	141.8	9.4	0.5	863.7
Depreciation						
At 1 August 2012	79.9	2.9	82.3	0.0	0.0	165.1
Charge for year	10.2	0.1	13.6	0.0	0.0	23.9
Eliminated on disposals	(0.1)	0.0	(2.5)	0.0	0.0	(2.6)
At 31 July 2013	90.0	3.0	93.4	0.0	0.0	186.4
Net Book Value						
At 31 July 2013	606.8	12.2	48.4	9.4	0.5	677.3
At 31 July 2012	382.6	12.3	50.8	29.2	0.5	475.4

Included within freehold land and buildings is £225.8m (2012 £33.3m) of land which is not being depreciated, increases relate to the revaluation of land in the year and the purchase of land on University Park.

Freehold land was professionally valued by Fisher Hargreaves Proctor Ltd, RICS, Property Consultants on a depreciated replacement cost basis on 10th April 2013. Subsequent additions, of which there has only been one for £0.8m, have been made at cost. Land was held at £33.3m prior to the revaluation and £225.0m subsequently. The revaluation was conducted as the majority of land was held at nil cost, and therefore significantly underestimated the value of the University's assets.

Notes to the Accounts

13. Investments

	Consolidated		University	
	2013 £m	2012 £m	2013 £m	2012 £m
Subsidiary companies	0.0	0.0	0.4	0.4
Associated companies	33.7	32.3	10.6	10.4
Investments	0.7	0.7	0.7	0.7
	<u>34.4</u>	<u>33.0</u>	<u>11.7</u>	<u>11.5</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 £7.1m (2012 £6.6m) with an impairment provision of £6.4m (2012 £5.9m). The total amount invested in the year was £0.5m (2012 £0.4m) and the impairment charge in the year was £0.5m (2012 £0.3m). The University is also a member of EMMAN Limited and The Manufacturing Technology Centre Limited, both of which are companies limited by guarantee for which the University's potential liability is limited to £1 each.

The investments, which have not been consolidated or equity accounted for on the grounds of materiality, are as follows:

Investment	Type of business	% Holding
AIMS Solutions Limited	Other software consultancy and supply	24.0%
Aptia Solutions Limited	Software publishing	24.9%
Azotic Technologies Limited	Research and development	10.0%
BioCity Limited	Accommodation (biotechnology and health companies)	50.0%
Cellaura Technologies Limited	Research and development	16.0%
Critical Pharmaceuticals Limited	Novel drug delivery devices	12.1%
Crown Bioscience Inc	Translational platforms and drug discovery solutions	1.1%
Encos Limited	Research and development	6.9%
EventMAP	Software development and application	7.5%
Evocell Limited	Research and development	11.7%
FAHRAS Limited	Health related software	18.9%
Flavometrix Limited	Research and development	20.0%
Gamma Technologies Limited	Development and licensing of computer aided engineering	5.0%
Lachesis Fund	Seed fund investment	20.0%
M4 Technologies Limited	Research and development	24.0%
Mission Room Limited	Interactive media systems	18.0%
Molecular Profiles Limited	Research and development	12.5%
Monica Healthcare Limited	Research and development	12.9%
Nimrod Energy Limited	Research and development	49.0%
Nottingham Drug Discovery Limited	Research and development	100.0%
Nottingham Gynaecological Devices Limited	Research and development	22.0%
Nottingham Prognostics Limited	Prognostic services	100.0%
Nottingham University Architecture and Urban Design Limited	Architectural and design activities	100.0%
Nutramet Limited	Agents in the sale of food	30.0%
OncImmune Limited	Research and development	14.2%
Pharminox Limited	Human health activities	1.1%
Platelet Solutions Limited	Platelet function testing	49.0%
Promethean Particles Limited	Inorganic nanoparticle dispersion manufacture	30.5%
Regentec Limited	Research and development	24.0%
Scancell Holdings plc	Research and development	1.0%
Staff Roster Solutions Limited	Software development and application	48.0%
Ticketing Network East Midlands	Ticket services	25.0%
U21 Equity Limited	University networking organisation	12.0%

Notes to the Accounts

13. Investments continued

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

Company Name	No of £1 Ordinary Shares
Nottingham University Industrial and Commercial Enterprise Limited (NOTICE)	100,000
UNIP Management Limited	2
Eminate Limited	2
East Midlands Conference Centre Limited	100
Harewood Leisure Limited	1,000

NOTICE is a provider of services, such as consultancy and power supplies. UNIP Management provides rental and property services. Eminate develops and manufactures products for the food and pharmaceutical sectors. Harewood Leisure is a provider of fitness facilities. East Midlands Conference Centre Limited is a provider of facilities for conference and other events.

The consolidated results of the group incorporate the above 100% owned companies and the results of Nottingham University Foundation Limited, a company granted charitable status in April 2003, and Nottingham Technologies Asia Limited (a company registered and operating in Hong Kong).

Investment in Associated companies

	Consolidated £m	University £m
As at 1 August 2012	32.3	10.4
Share of retained losses	(0.4)	0.0
Wanli Education Group funds for capital programme	0.4	0.0
Exchange movements	1.4	0.2
As at 31 July 2013	<u>33.7</u>	<u>10.6</u>

The University owns 37.5% (2012 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 £26.5m (2012 £25.3m) equal to 37.5% of the net assets, excluding intellectual property, as at 31 July.

The University owns 29.9% (2012 29.9%) 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 £7.2m (2012 £7.0m) equal to 29.9% (2012 29.9%) 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.

In 2013 the University sold its entire 49% holding of the ordinary share capital of Nottingham MyRIAD Solutions, 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 £nil (2012 £7,218) equal to the University's share of the net assets, as at 31 July.

14. Investment Properties

	Consolidated and University	
	2013 £m	2012 £m
Balance at 1 August	3.3	3.1
Appreciation on revaluation	0.2	0.2
Balance at 31 July	<u>3.5</u>	<u>3.3</u>

Land and property valuations as at 31 July 2013 were made by senior management on the advice of Savills (L&P) Ltd and Shouler and Son, firms of Chartered Surveyors, the basis of valuation being open market value taking groups of properties together for this purpose.

Notes to the Accounts

15. Endowment Assets

	Consolidated and University	
	2013 £m	2012 £m
Balance at 1 August	32.7	32.4
Additions	10.8	6.6
Disposals	(7.9)	(5.7)
Appreciation / (depreciation) on revaluation	4.3	(0.3)
Decrease in cash balances	(1.3)	(0.3)
Balance at 31 July	38.6	32.7
Represented by:		
Fixed interest stocks	4.4	4.9
Equities	26.6	18.6
Multi asset funds	3.3	3.3
Land and property	0.0	0.3
Cash balances (Note 30)	4.3	5.6
Total	38.6	32.7

Included within the above balances is accumulated income yet to be applied of £3.6m (2012 £3.5m).

16. Debtors

	Consolidated		University	
	2013 £m	2012 £m	2013 £m	2012 £m
Amounts falling due within one year:				
Debtors	24.6	15.3	24.0	14.5
Amounts due from subsidiaries	(0.0)	0.0	4.1	3.5
Amounts due from associates (Note 25)	5.6	4.3	5.6	4.3
Prepayments and accrued income	32.6	31.8	32.4	31.5
Total	62.8	51.4	66.1	53.8
Amounts falling due after more than one year:				
Debtors	0.3	0.0	0.3	0.0
Total Debtors	63.1	51.4	66.4	53.8

Notes to the Accounts

17. Creditors: Amounts Falling Due Within One Year

	Consolidated		University	
	2013 £m	2012 £m	2013 £m	2012 £m
Bank loans	3.2	3.2	3.2	3.2
HEFCE loans	0.1	0.1	0.1	0.1
Payments received in advance	1.2	1.2	0.9	0.9
Trade creditors	19.8	23.7	19.6	23.0
Social security and other taxation payable	11.9	10.5	11.8	10.6
Amounts due to subsidiaries	0.0	0.0	1.0	1.5
Accruals and deferred income	121.8	113.4	119.8	111.5
Total	158.0	152.1	156.4	150.8

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

	Consolidated		University	
	2013 £m	2012 £m	2013 £m	2012 £m
Bank loans	7.9	25.6	7.9	25.6
HEFCE loans	0.5	0.5	0.5	0.5
Total	8.4	26.1	8.4	26.1

The bank loans are with the Royal Bank of Scotland at a rate which is 0.20% above LIBOR. The total facility is for £100.4 million and is a 22 year revolving credit facility with straight line amortisation of £0.8m per quarter over 25 years which commenced October 2010 with a £30 million bullet repayment at the end. The University has the ability to repay and redraw against the facility over the period of the loan and utilises this facility to manage its cash requirements. In addition the University has a multi-option facility for £15 million. The HEFCE loan does not have a fixed repayment profile, repayments being dependent on the individual project. The University does not currently hold any finance lease arrangements.

19. Deferred Capital Grants

	Consolidated		Total £m
	Funding Council £m	Other Grants £m	
At 1 August 2012			
Buildings	107.2	35.0	142.2
Equipment	26.6	6.9	33.5
Total	133.8	41.9	175.7
Grants received			
Buildings	3.6	3.5	7.1
Equipment	0.1	5.2	5.3
Total	3.7	8.7	12.4
Released to income and expenditure			
Buildings (Notes 1 and 4)	(3.7)	(1.0)	(4.7)
Equipment (Note 1)	(6.1)	(2.9)	(9.0)
Total	(9.8)	(3.9)	(13.7)
At 31 July 2013			
Buildings	107.1	37.5	144.6
Equipment	20.6	9.2	29.8
Total	127.7	46.7	174.4

Notes to the Accounts

19. Deferred Capital Grants continued

	Funding Council £m	University Other Grants £m	Total £m
At 1 August 2012			
Buildings	107.2	35.0	142.2
Equipment	26.6	6.6	33.2
Total	133.8	41.6	175.4
Grants received			
Buildings	3.6	3.5	7.1
Equipment	0.1	5.2	5.3
Total	3.7	8.7	12.4
Released to income and expenditure			
Buildings	(3.7)	(1.0)	(4.7)
Equipment	(6.1)	(2.8)	(8.9)
Total	(9.8)	(3.8)	(13.6)
At 31 July 2013			
Buildings	107.1	37.5	144.6
Equipment	20.6	9.0	29.6
Total	127.7	46.5	174.2

Deferred capital grants are capitalised above when the assets they relate to are complete. Where funds are received in advance of asset completion they are held within deferred income (Note 17), thus additions to deferred capital grants will differ to cash receipts of deferred capital grants (Note 28).

20. Endowments

	Consolidated and University		
	Restricted Expendable £m	Restricted Permanent £m	Restricted Total £m
Balance at 1 August 2012	0.8	31.9	32.7
Additions	0.1	1.8	1.9
Appreciation of endowment asset investments	0.0	4.3	4.3
Income for the year	0.0	1.2	1.2
Expenditure for the year	(0.4)	(1.1)	(1.5)
Balance at 31 July 2013	0.5	38.1	38.6
Represented by:			
Capital value	0.5	34.4	34.9
Accumulated income	0.0	3.7	3.7
	0.5	38.1	38.6

The University has no unrestricted permanent endowments.

Notes to the Accounts

21. Revaluation Reserve

	Consolidated and University £m
Balance at 1 August 2012	2.9
Unrealised surplus on revaluation of land	191.8
Unrealised surplus on revaluation of listed investments	0.7
Unrealised surplus on revaluation of investment properties	0.2
Balance at 31 July 2013	195.6

22. General Reserve

	Consolidated £m	University £m
Balance at 1 August 2012	229.8	208.0
Transfer from surplus for the year	22.2	23.2
Wanli Education Group funds for capital programme	0.4	0.0
Transfer to pension reserve	(2.7)	(2.7)
Exchange movements	1.4	0.2
Balance at 31 July 2013	251.1	228.7

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 surplus for the year before share of associate's profits and exceptional items was £22.9m (2012 - £20.9m). Wanli Education Group is the University's partner in China and has provided funds to support the next phase of growth in Ningbo.

23. Operating lease commitments

	Consolidated		University	
	2013 £m	2012 £m	2013 £m	2012 £m
Operating lease commitments in respect of equipment for the forthcoming financial year, on leases expiring:				
Within one year	0.1	0.1	0.1	0.1
Between two and five years	0.0	0.3	0.0	0.3
Over five years	0.0	0.0	0.0	0.0
	0.1	0.4	0.1	0.4

There is a commitment of £59,000 on land and buildings on leases expiring in over 5 years.

Notes to the Accounts

24. Capital Commitments	Consolidated		University	
	2013 £m	2012 £m	2013 £m	2012 £m
Commitments contracted at 31 July	26.9	15.3	26.9	15.3

The University is undergoing a period of significant infrastructure development. The University's Innovation Park is being added to with significant buildings and library and student facilities being extended and upgraded to benefit a number of faculties. Work has also commenced on the Carbon Neutral Laboratory for Sustainable Chemistry, which has been supported by GlaxoSmithKline and forms part of a successful UK RPIF programme of development.

25. Related party transactions

The University of Nottingham owns a 29.9% (2012 29.9%) stake in the University of Nottingham, Malaysia, a 37.5% (2012 37.5%) stake in the University of Nottingham, Ningbo China and nil% (2012 49%) stake in MyRIAD, Malaysia all of which are accounted for as associated entities (see note 13).

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 3 years. In addition certain costs incurred by the University are rechargeable between each associate and the University in accordance with signed agreements.

There were no transactions with MyRIAD, and the University ceased to own any shares in the year.

	2013 Malaysia £000	2013 China £000	2012 Malaysia £000	2012 China £000
Net charges by the University:				
Costs	1,111	1,838	938	1,200
Management fee	1,717	3,145	1,547	2,765
Owed to the University at 31 July	902	4,738	829	3,454
Additional share capital acquired	0	0	2,029	0

All transactions with spin out companies are undertaken on a commercial, arms length basis and are not material to the Group.

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

	2013 £m	2012 £m
Surplus for the year	22.0	23.9
Depreciation (Note 12)	24.0	23.8
Amortisation (Note 11)	0.6	0.6
Loss on disposal of fixed assets	0.5	0.6
Impairment of investments	0.9	0.6
Share of losses / (profits) in associated companies	0.4	(3.9)
Deferred capital grants released to income (Note 19)	(13.7)	(13.3)
Investment income (Note 5)	(1.5)	(1.2)
Interest payable (Note 8)	2.5	2.0
Net income retained from specific endowments	0.3	0.2
Increase in stocks	(0.2)	(0.1)
(Increase) / decrease in debtors	(11.7)	4.0
Decrease in creditors	0.0	5.1
Surrender of carbon dioxide emission allowances	0.6	0.0
Net Cash Inflow from Operating Activities	24.7	42.2

Notes to the Accounts

27. Returns On Investments And Servicing Of Finance	2013 £m	2012 £m
Income from endowments	1.2	1.1
Other interest received	0.3	0.2
Interest paid	(2.5)	(2.1)
Net Cash Outflow from Returns on Investments and Servicing of Finance	(1.0)	(0.8)

28. Capital Expenditure And Financial Investment	2013 £m	2012 £m
Payments to acquire tangible assets	(35.8)	(63.3)
Payments to acquire endowment asset investments (Note 15)	(10.8)	(6.6)
Payments to acquire carbon reduction commitments (Note 10)	(0.7)	(0.6)
Total payments to acquire fixed and endowment asset investments	(47.3)	(70.5)
Receipts from sales of endowment assets (Note 15)	7.9	5.7
Receipts from sales of fixed assets	0.9	0.1
Deferred capital grants received	15.9	20.9
Endowments received	1.7	0.6
Net Cash Outflow from Capital Expenditure and Financial Investment	(20.9)	(43.2)

29. Analysis Of Changes In Consolidated Financing During The Year

	Mortgages and Loans £m
Balances at 1 August 2012	29.3
New loans	146.9
Capital repayments	(164.6)
Net amount drawn down in year	(17.7)
Balances at 31 July 2013	11.6

Notes to the Accounts

30. Analysis Of Changes In Net Debt

	At 1 August 2012 £m	Cash Flows £m	At 31 July 2013 £m
Cash			
Endowment asset investments (Note 15)	5.6	(1.3)	4.3
Cash at bank and in hand/(bank overdraft)	6.5	(2.7)	3.8
	12.1	(4.0)	8.1
Short term investments	11.9	(10.9)	1.0
Debt due within one year	(3.2)	0.0	(3.2)
Debt due after one year	(26.1)	17.7	(8.4)
	(5.3)	2.8	(2.5)

31. 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 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; and a minimum of three and a maximum of five are independent 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 scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and 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 FRS17 "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.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second 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 actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuation and details his estimate of the funding level at 31 March 2013 are also included in this note.

The triennial 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 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and 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 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Notes to the Accounts

31. Pension Schemes continued

Standard mortality tables were used as follows:

Male members mortality S1NA light YoB tables - no age rating

Female members mortality S1NA light YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65 23.7 (25.6) years

Males (females) currently aged 45 25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% 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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% 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 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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 but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of 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 mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Notes to the Accounts

31. Pension Schemes continued

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011.

New entrants

Other than in specific, limited, circumstances new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The Normal pension age was increased for future services and new entrants, to age 65.

Flexible retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% per annum and 6.5% per annum for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% or the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions."

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime has fallen from 92% to 77%. This estimate is based on the funding level at 31 March 2011, allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a buy out basis at that date was approximately 55%.

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 on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

Notes to the Accounts

31. Pension Schemes continued

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 trustees believe 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 major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically 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 needs to take on a degree of investment risk relative to the liabilities. This taking of investment 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 what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the employers to support the scheme if the investment strategy does not deliver the expected returns. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to be the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a long term view of its investments. Short-term volatility of returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together - in an integrated form - the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

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. The Scheme was closed to new entrants from 1 September 2006. A full actuarial valuation was carried out at 31 July 2011. For 2012 employer contributions were 12.4% of pensionable pay plus £395,500 per month and active members paid in at the rate of 6.0% of pensionable pay. Following the 31 July 2011 valuation employer contributions have been agreed at the rate of 16.9% of pensionable pay plus £419,500 per month from 1 August 2012. The monthly lump sum payment is to pay for the past-service shortfall over a 15 year period and will increase by 4.8% each August. The results of the actuarial valuation at 31 July 2011 have been updated to 31 July 2013 for the purposes of FRS17 valuation.

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 discount rate of interest would be between 4.4% and 6% per annum, salary increases would be between 2.5% and 3.4% per annum and pensions would increase between 3.0% and 3.6% per annum. The market value of the assets of the scheme was £114.7 million with past service liabilities of £194.8 million. The valuation was carried out using the projected unit method.

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

	2013 £m	2012 £m
Contributions to USS	26.0	24.9
Charge to income and expenditure account re CPAS	3.0	3.2
Contributions to other pension schemes (including CRSP)	2.4	2.1
Total pensions cost (Note 6)	31.4	30.2

Notes to the Accounts

31. Pension Schemes continued

CPAS - FRS17 Disclosure

The amounts recognised in the balance sheet are as follows:	2013 £m	2012 £m
Present value of funded obligations	(218.2)	(202.7)
Fair value of plan assets	140.8	121.3
Deficit	(77.4)	(81.4)

The amounts recognised in staff costs and other operating expenses are as follows:	2013 £m	2012 £m
Current service cost	3.4	3.7
Gains on curtailments, settlements and business combinations.	0.0	0.0
Total operating charge	3.4	3.7

The amount charged to interest was as follows:	2013 £m	2012 £m
Interest on obligation	8.9	8.7
Expected return on plan assets	(6.6)	(6.9)
Net return (note 8)	2.3	1.8

The amount recognised in the statement of total recognised gains and losses (STRGL) was as follows:	2013 £m	2012 £m
Actual return less expected return on pension scheme assets	10.5	(0.8)
Experience gains and losses	(9.2)	(29.6)
Actuarial gain / (loss) recognised in STRGL	1.3	(30.4)
Actual return on plan assets	17.1	6.1

Changes in the present value of the defined benefit obligation are as follows:	2013 £m	2012 £m
Opening defined benefit obligation	202.7	165.8
Service cost	3.4	3.7
Interest cost	8.9	8.7
Plan participants' contributions	0.5	0.6
Actuarial losses	9.2	29.6
Benefits paid	(6.5)	(5.7)
Closing defined benefit obligation	218.2	202.7

Notes to the Accounts

31. Pension Schemes continued

Changes in the fair value of plan assets are as follows:	2013 £m	2012 £m
Opening fair value of plan assets	121.3	112.7
Expected return on plan assets	6.6	6.9
Actuarial gains / (losses)	10.5	(0.8)
Employer contribution	8.4	7.6
Plan participants' contributions	0.5	0.6
Benefits paid	(6.5)	(5.7)
Fair value of plan assets at end of period	140.8	121.3

The major categories of plan assets as a percentage of total plan assets are as follows:	2013	2012
Equities	76%	72%
Bonds	24%	27%
Property	0%	0%
Cash	0%	1%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):	2013	2012
Discount rate at end of year	4.60%	4.40%
Expected return on plan assets at end of year	6.20%	5.35%
Future salary increases	3.20%	2.60%
Future pension increases (pensions in payment pre 2003)	3.50%	3.20%
Future pension increases (pensions in payment post 2003)	3.20%	2.60%
Proportion of employees opting for early retirement	50.00%	50.00%
Proportion of employees commuting pension for cash	100.00%	100.00%
Future expected lifetime of pensioner at age 65:		
Male (born 1948 (2012: 1947):	22.8	22.7
Male (born 1968 (2012: 1967):	25.3	25.2
Female (born 1948 (2012: 1947):	24.6	24.5
Female (born 1968 (2012: 1967):	27.2	27.1

Amounts for the current and previous four periods are as follows:	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Defined benefit obligation	(218.2)	(202.7)	(165.8)	(152.2)	(134.4)
Plan assets	140.8	121.3	112.7	100.6	82.4
Deficit	(77.4)	(81.4)	(53.1)	(51.6)	(52.0)
Experience adjustments on plan liabilities	(9.2)	(29.6)	(6.8)	(11.0)	(8.5)
Experience adjustments on plan assets	10.5	(0.8)	3.1	9.0	(14.7)

CPAS

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 2013 the University owed £229,607 in respect of contributions to the scheme (2012: £114,500).

Notes to the Accounts

32. 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.

	2013 £m	2012 £m
Balance at 1 August	0.0	0.0
Funding council grants	0.4	0.4
	<u>0.4</u>	<u>0.4</u>
Disbursed to students	(0.4)	(0.4)
Balance unspent at 31 July	<u>0.0</u>	<u>0.0</u>

33. Connected charitable institutions

The following charities are linked to the University and fall within paragraph (w) of Schedule 2 of the Charities Act 1993, and are consolidated within the Group.

Children's Play Activities Trust Fund

	2013 £000	2012 £000
Reserves		
Balance at 1 August 2012	248	250
Income in the year	10	9
Capital appreciation / (depreciation)	26	(11)
Balance at 31 July 2013	<u>284</u>	<u>248</u>

Non-Operating Charities

JH Tomlin Scholarship Fund
The Dean Moore Scholarship Fund
The AF Bird Memorial Award

34. Sport England grant

Sport England has granted the University funds to provide opportunities for students to take part in sport and activity. £68,636 (2012 £78,000) has been spent, in collaboration with Nottingham Trent University.

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