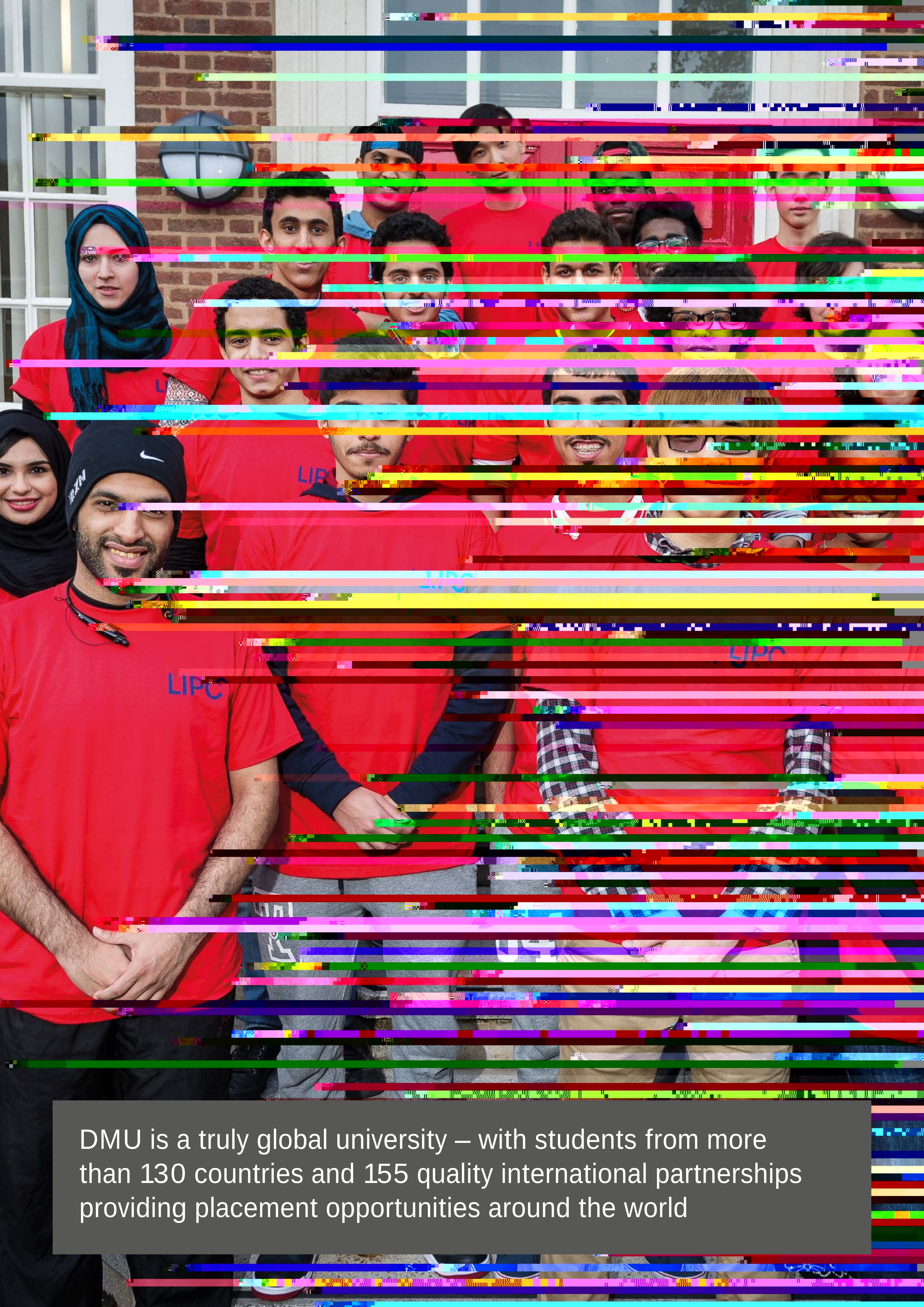
DE MONTFORT UNIVERSITY LEICESTER

ANNUAL ACCOUNTS

2013–2014



DMU is a truly global university – with students from more than 130 countries and 155 quality international partnerships providing placement opportunities around the world

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BA (Hons), PGDip, MCIDP

Mr Simon Ambrose (Vice-Chancellor's Chief of Staff)
LLB (Hons), MBA

PROFESSIONAL ADVISORS TO THE CORPORATION

Auditors

External Auditors: KPMG LLP, Birmingham

Internal Auditors: PricewaterhouseCoopers LLP, Birmingham

BANKERS

National Westminster Bank plc

In accordance with best practice, the Board of Governors maintains a Register of Governors' Interests. To view the Register, contact the Clerk to the Board, Trinity House, De Montfort University, Leicester LE1 9BH.

THE GUIDING PRINCIPLES OF

1. UNIVERSITY MISSION AND STRATEGY

Implementing our vision

DMU's Mission, Vision and Strategic Plan (2011 to 2015) were agreed by our Board of Governors at the end of the 2010/11 academic year and published in September 2011.

The university's mission statement is:

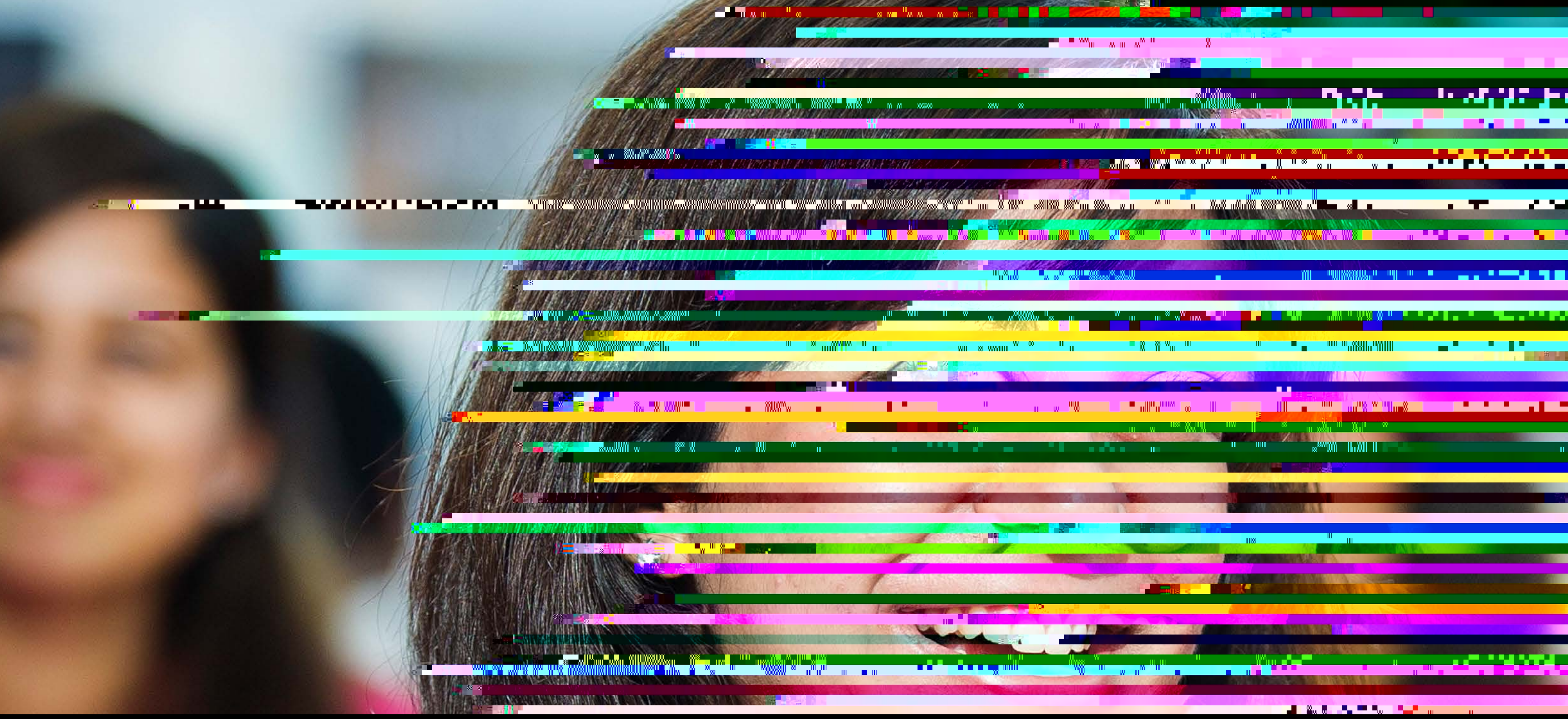
We a e a e f a a d d c e e ,
d ed b c e e ce e ce
ea , eac a d e de e e e ce, fe-
c a e ea c , d a c e a a a e a d
b a b e . We ce eb a e e c c a
d e f aff, de a d a a e .

The university's vision is expressed in six strategic aims, supported by a series of specific goals that are detailed in the strategic plan:

1. We will develop an inspiring and supportive learning environment that transforms our students and inspires them to make a real difference in society
2. We will be a university that places research excellence and innovation at the heart of our mission
3. We will focus on employability and understand the needs of business and professions, so that DMU courses are relevant and give our graduates a

Square Mile

DMU's pioneering Square Mile project is one of the university's key public-benefit activities. It offers unparalleled opportunities for our wider community to draw upon the university's academic expertise to improve health, education and job prospects in an area near the university campus. Many projects that make



Our courses are taught by passionate and enthusiastic lecturers. Our student-focused teaching is inspired by research and our research inspired by teaching.

We have 11 National Teaching Fellows working across the university, honoured by the Higher Education Academy in recognition of their innovative and transformational teaching. To date DMU has received 18 National Teaching Fellow Awards, the third-highest total nationally.

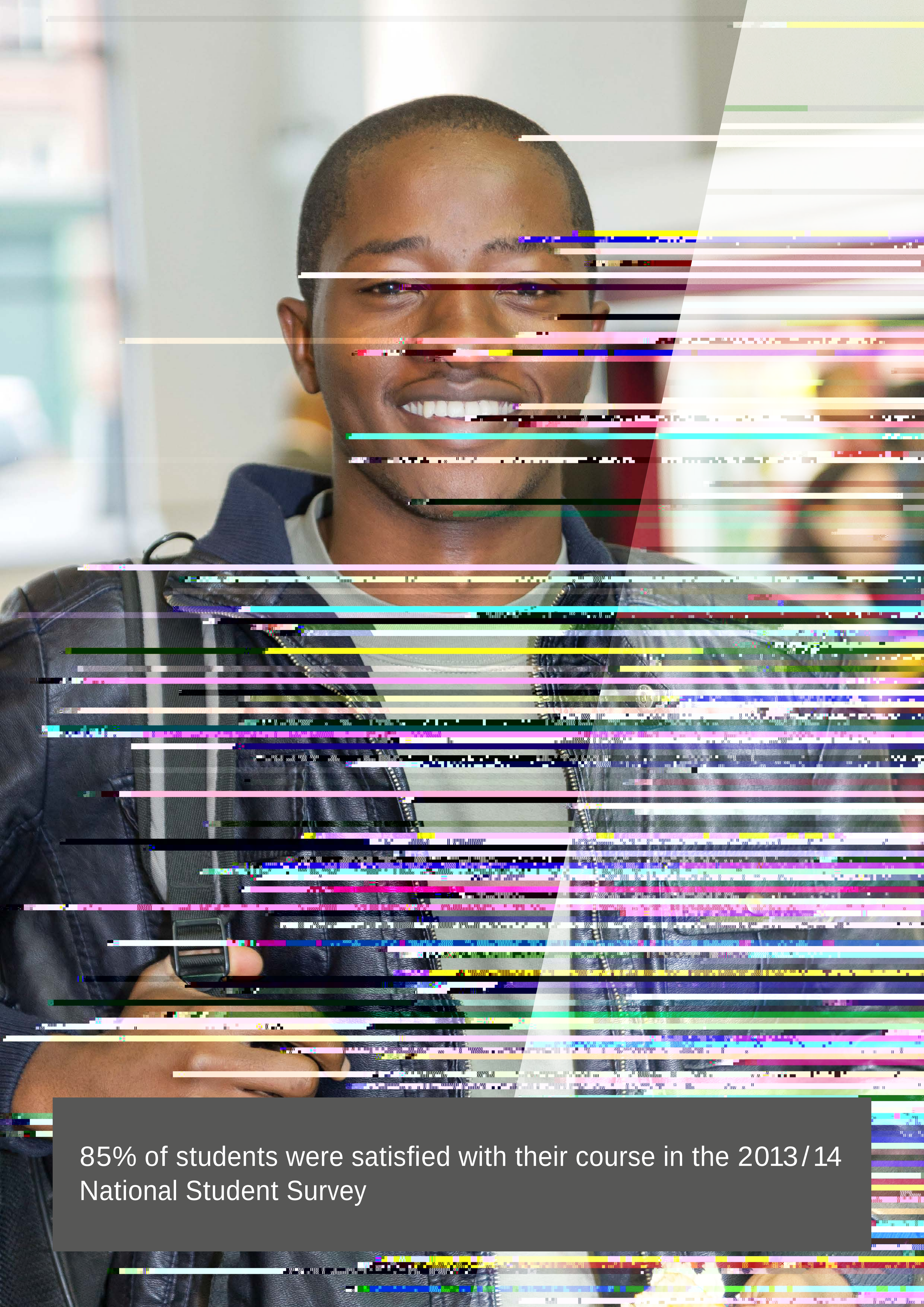
DMU Teaching Excellence Awards recognise the work of our outstanding lecturers and include the student-nominated Vice-Chancellor's Distinguished Teaching Awards and the DMU Teacher Fellowship Scheme. Some 19 awards were announced during 2013/14.

DMU's strong vocational curriculum is well aligned to the increasing national focus on graduate employability and continues to attract a wide spectrum of students. There was particularly strong interest from widening-participation applicants and from black and minority ethnic groups, reflecting the population diversity of Leicester and its environs.

The university's teaching-quality indicators have improved steadily over the last five years. The strength of our curriculum in this period has led to a real improvement in the tariff points of our students upon entry, with the figure now around 300. Due to this continued improvement, the percentage of finalist undergraduates who achieve a 2:1 or above rose to 66.5% in 2012/13. We predict this percentage will continue to improve.

Teaching satisfaction scores measured by the National Student Survey (NSS) are high (85% of students were satisfied with their course in the 2013/14 NSS) and we anticipate they will improve further as a result of our focused learning-and-teaching improvement programme. This includes the development of faculty action plans, improvements in personal tutoring and the provision of more effective student feedback.

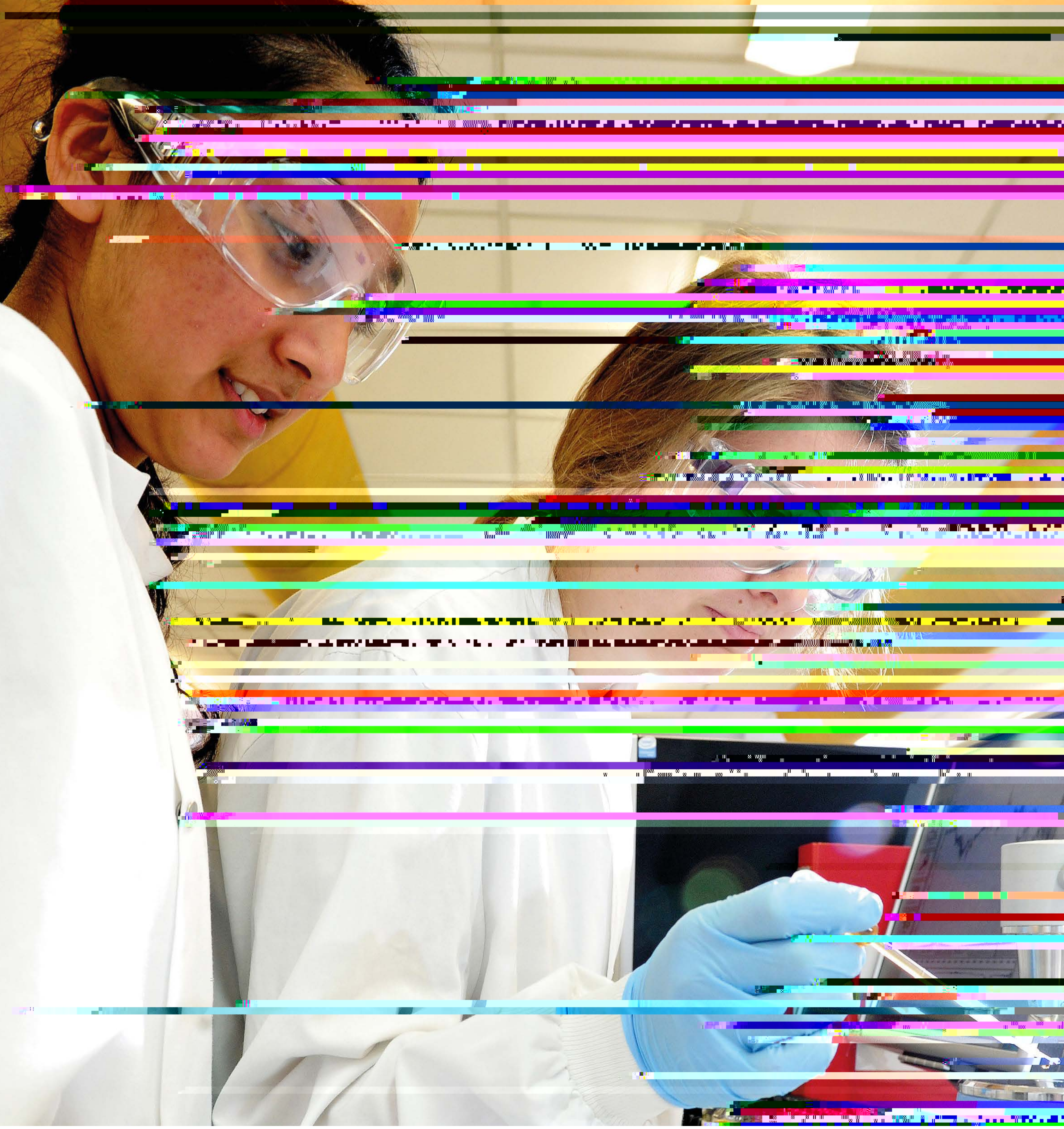
We are continuing to invest significant resources, underpinned by robust faculty-level action plans, to improve our retention rates, particularly those for our



85% of students were satisfied with their course in the 2013/14 National Student Survey

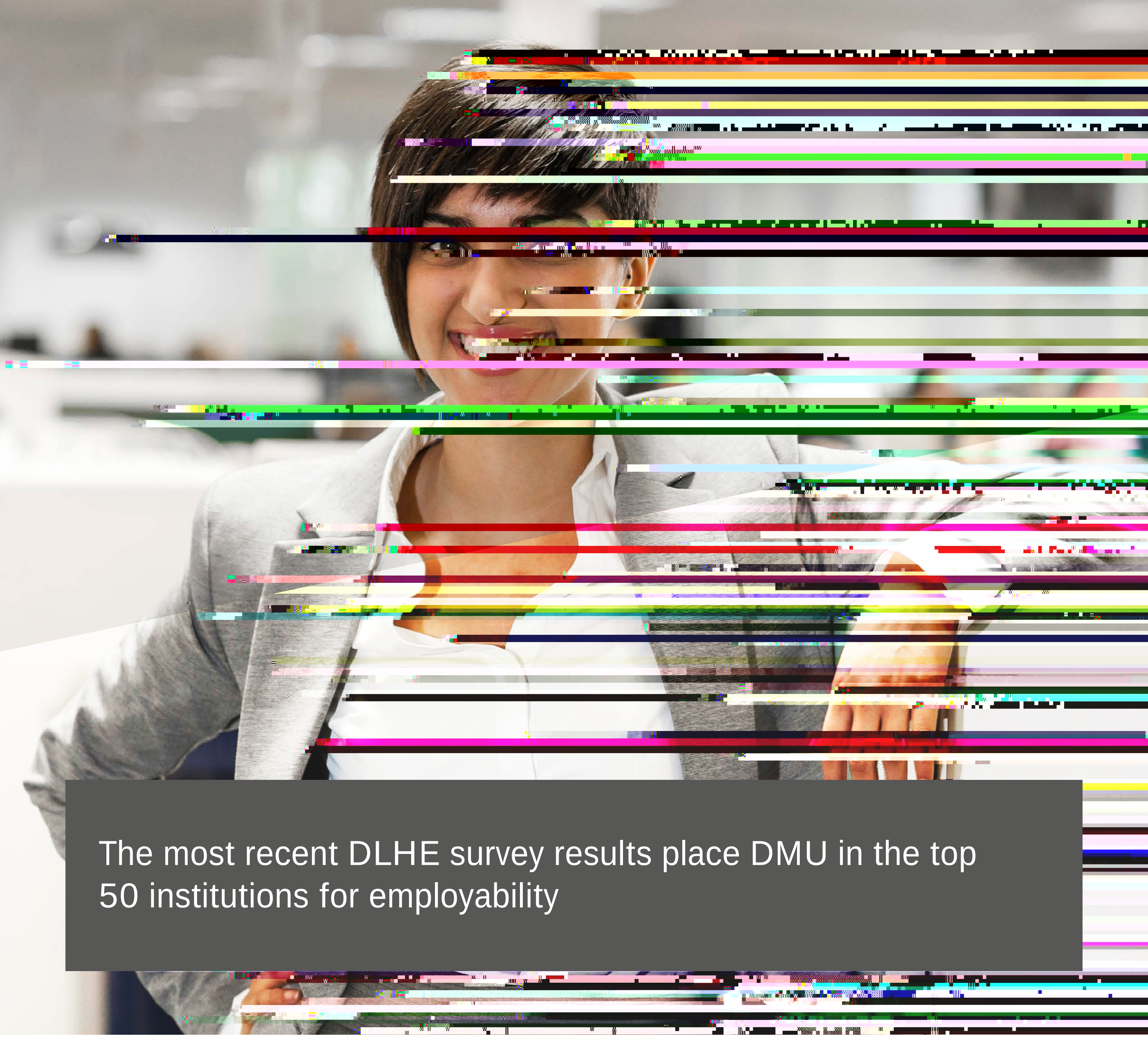
The university has been engaged in a number of outstanding projects over the year, supported by external research grants and contracts.

Professor Martin Grootveld, of the School of Pharmacy, is undertaking research aimed at improving treatment for people with Hodgkin's Lymphoma, a cancer affecting some 2,000 people every year in the UK. Treatment can involve



technology developed by DMU Professor Bob Chaudhuri, whose work aims to make the discovery and creation of new drugs easier and cheaper. CYP Design aims to develop new products and services based on a set of proteins, called cytochrome P450s, or CYPs.

The proteins, found in the human liver, are mostly responsible for metabolising drugs. Crucially, they can help researchers quickly identify chemical compounds that are promising for drug development but may be toxic to humans.



The most recent DLHE survey results place DMU in the top 50 institutions for employability

The university's DSU Volunteering service works with 280 local organisations and charities and this year students have been involved in more than 240 projects and events. These range from mentoring young people in care, helping children to read, and supporting and building friendships with elderly people. Students have also taken part in an arts and crafts day with a local residential home, arranged workshops at a local hospital school and created artwork for a women and children's refuge.

This year, DMU students have again broken their record for the number of hours volunteered in the local community, increasing the previous total by more than 9,000 hours. It means some 28,000 hours have been logged since last summer by DSU Volunteering. This year has also seen more students signing up, taking the total number of student volunteers to 2,400.

The year 2013/14 saw continued expansion by Careers and Employability. Employability hubs were set up in all four faculties, while a new Work-Based Learning Unit was opened in the Faculty of Art, Design & Humanities, to complement the work on the existing units in the other faculties. This increased visibility helps deliver a message that employability development is something students should be aware of from day one at DMU. More than 10,000 individual student interactions were delivered by the Careers Advisory Team, and almost 3,000 placements were secured by the work-based learning teams.

Following reconfiguration of our university calendar, more opportunities for students to engage formally in careers and employability activities outside the normal teaching timetable were implemented in 2013/14. The provision of a non-timetabled break week in the autumn and spring terms enabled us to run employability weeks, to run again in 2014/15.

We will be the recognised leader in creative education and research, built on our reputation in the creative economy and driven by innovative projects across all faculties.

DMU is ranked among the most creative universities by 'Which? University?' Our commitment to creative subjects is exemplified by their inherent connection to the ongoing campus transformation, which will significantly improve the

DMU enjoys fruitful partnerships with Phoenix cinema, Curve theatre and Dave's Comedy Festival

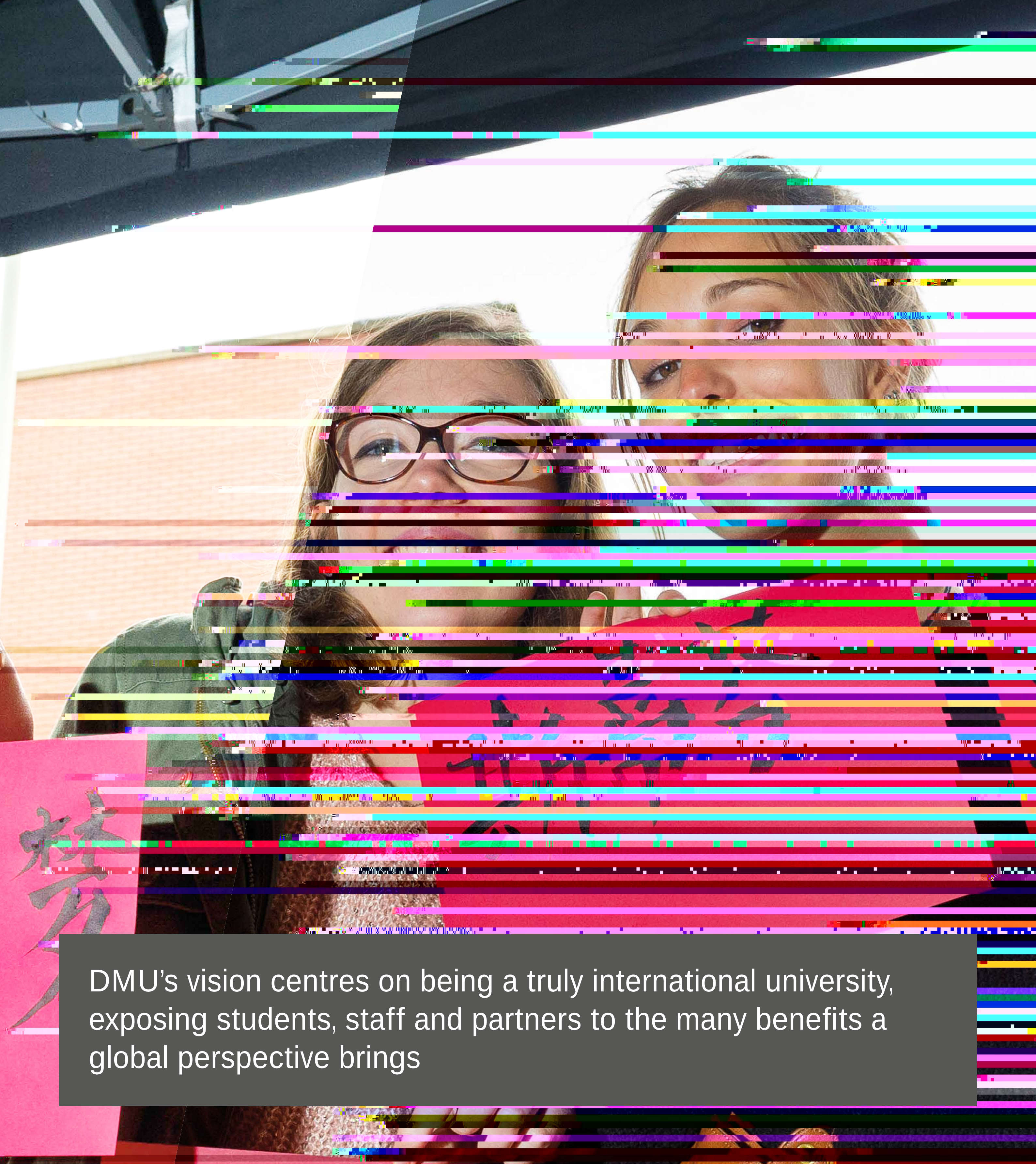
We will be a truly international university, building influential global relationships to enrich our research, teaching and cultural collaborations.

People from more than 130 nations currently study at DMU and our staff members are from 75 nations.

DMU's vision centres on being a truly international university of quality and distinctiveness which exposes students, staff and partners to the many benefits a global perspective brings. International student recruitment, excellence in research, and greater experience and opportunities for students and staff are key objectives.

The university's international recruitment strategy is founded on the principle of forging long-term, mutually beneficial partnerships with high-quality institutions. The partnerships forged with Chinese universities and organisations make China the most significant market for the university. In 2014/15, as in 2013/14, the university is expecting to enrol more than 600 Chinese students. DMU has Chinese regional offices in Beijing, Nanjing and Guangzhou to support local engagement with students, universities, government departments and educational partners.

A significant partnership, finalised in autumn 2013, was the agreement with Oxford International Education Group to inaugurate Leicester International Pathway College (LIPC) on the DMU campus. LIPC provides alternative routes into higher education for international students who need additional specific academic or English language support. LIPC opened irgaty



DMU's vision centres on being a truly international university, exposing students, staff and partners to the many benefits a global perspective brings

More than 110 Brazilians joined DMU in 2013/14 as part of the Brazilian government's Science Without Borders (SWB) scheme and 128 enrolled in September 2014. The SWB programme will continue for the September 2015 intake, its future beyond that date is dependent on the results of elections in Brazil this year. DMU also showcased a number of academic activities, including sports history and fashion, in a series of events in Sao Paulo surrounding the 2014 FIFA World Cup. To support recruitment, partnership and corporate event activity in Brazil, DMU opened an office in the British Centre in Sao Paulo in November 2013.

We will make a significant contribution to global efforts to achieve environmental sustainability.

DMU continues to develop a real-world approach to sustainability through the management of its buildings,

502 photovoltaic panels on the roofs of three buildings will generate electricity for use within the DMU campus, reducing energy costs and our carbon footprint

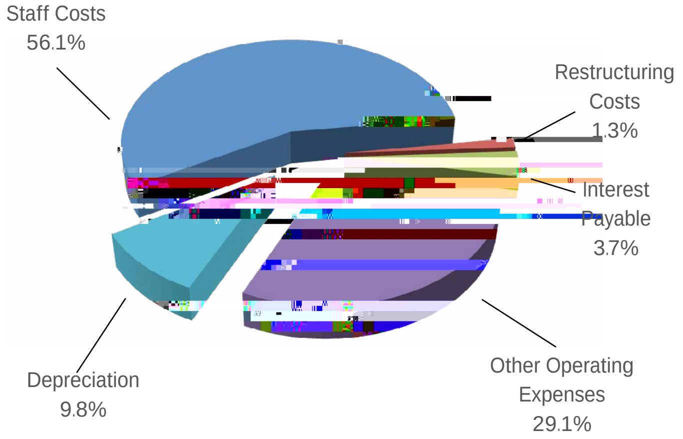
a. Forecast recruitment of overseas students: the financial forecast reflects the work undertaken to date on our International Strategy, with forecast growth in student

Our exceptional employability initiatives, transformational student experience and quality courses make DMU a hugely rewarding place for current students to study and a compelling choice for potential students

Expenditure analysis

Total expenditure of £151.7m reduced by £3.6m (2.3%) from 2012/13.

Expenditure Analysis 2013/14



- Staff and staff restructuring costs reduced by £2.4m, reflecting lower restructuring costs in 2013/14
- Depreciation charges of £14.8m reduced by £1.6m (10%), reflecting a review of remaining asset lives
- Other operating expenses increased by £0.7m, reflecting marketing investment

Balance sheet

The university's consolidated group balance sheet at 31 July 2014 reports total net assets prior to the impact of accounting for pensions of £261.7m, an increase of £9.2m from 2012/13. This reflects the following items:

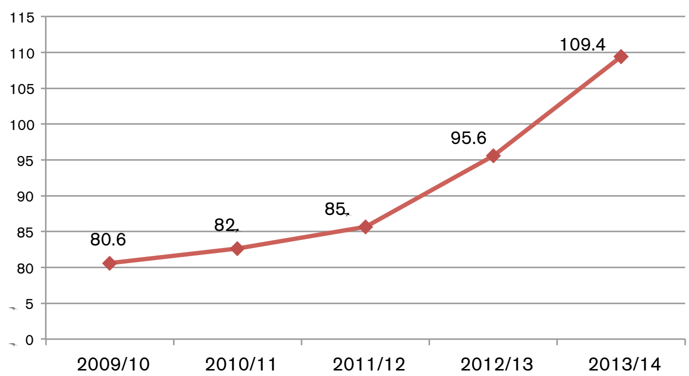
- Fixed assets of £273.0m increased by £3.7m (2012/13: £269.3m). The university invested £18.5m in new fixed assets during 2013/14, of which £9.3m was for IT transformation and £8.5m was for buildings and major works, including the Hawthorn facility refurbishment and the start of a major investment in the Fletcher Complex for Creative Arts. This was offset by the depreciation charge of £14.8m
- Current assets increased by £7.4m due to growth in cash and investments
- An increase in creditors of £1.8m, due to the timing of IT projects and a marketing campaign

Liquidity and reserves

The level of income and expenditure reserves has increased by £13.8m to £109.4m, continuing a positive trend as a result of the favourable operating position.

This reflects the increase in cash and investments during the year of £7.7m, which continues to ensure that the university has a strong liquidity position to enrich the student experience, with programmes such as #DMUglobal and DMU Graduate Champions.

Income and Expenditure Reserves



STATEMENT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

It determines matters in relation to the conditions of employment of all university staff and has oversight of the implementation and operation of change management policies as they affect staff employment and of management training and development. It also has oversight of the university's compliance with legislation relating to diversity and equality as it relates to, and impacts on, not only staff, but also students and other parties.

The Nominations Committee reviews the membership of the board, advising on the skills mix available and that required by the board to fulfil its responsibilities. It considers nominations of new external Governors, making recommendations to the Board of Governors.

The Remuneration Committee determines the annual remuneration of the Vice-Chancellor and members of his senior staff, and receives a report on the annual review of other senior academic and support staff that is conducted by the Vice-Chancellor in consultation with the Director of People and Organisational Development and Operations.

All committees of the board are required to report to the Board regularly. They do this in a variety of ways, including the formal presentation of their minutes at board meetings, with key matters being reported through to the board as substantive agenda items for wider discussion. In addition, the Audit Committee produces an annual report, which is also sent to the HEFCE Audit Assurance Service. The Vice-Chancellor also provides a report on the broader operation of the university at each board meeting. Members of the Executive Board are also present at meetings of the Board of Governors where necessary to expand on reports as appropriate and answer any other questions which may arise.

The Board of Governors periodically reviews its own effectiveness in accordance with good practice/CUC guidance; the last review was completed in January/February 2011. Newly-appointed Governors are encouraged to participate in an individual induction programme, tailored to their specific needs and experience. Additionally, all Governors are provided with the details of seminars and conferences for Governors offered by organisations such as HEFCE and the Leadership Foundation and are encouraged to be proactive in identifying opportunities for other training or support. In relation to the conduct of board business, there is considerable opportunity for Governors to request additional information through Board Committees, through the board itself and via the Clerk to the Board.

INTERNAL CONTROL

The key elements of the university's system of internal control, which is designed to discharge the financial responsibilities of the Board of Governors include:

- Clear definitions of the responsibilities of, and the authority delegated to, senior officers of the university
- A comprehensive short and medium-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- A regular review of academic performance and regular reviews of financial results involving variance reporting and updates of forecast out-turns
- Clearly defined and formalised requirements for approval and control of expenditure
- Procedures for the management of investment and risk
- Comprehensive Financial Regulations, detailing financial controls and procedures
- A professional internal audit service whose annual programme is approved by the Audit Committee

On behalf of the Board of Governors the Audit Committee reviews the effectiveness of the university's system of internal control.

RISK MANAGEMENT

The Board of Governors recognises that effective risk management is an essential element in the framework of good governance and has continued to develop its risk management systems taking full account of the HEFCE Accounts Direction and good practice guidance.

The university's risk management approach complies with the HEFCE Accounts Direction, and also reflects the guidelines provided by the Turnbull Committee.

The system of internal control adopted by the Board of Governors 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. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives and the development of policy and strategy; to evaluate the nature

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF DE MONTFORT UNIVERSITY

We have audited the group and university financial statements (the "financial statements") of DMU for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses and the related notes. 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).

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the university's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement on Corporate Governance of the Board of Governors set out on page 26 the Board of Governors is responsible for the preparation of financial statements which 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 group's and university's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 affairs of the group and university as at 31 July 2014 and of the
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STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently throughout the period to items which are considered material in relation to the accounts. In accordance with FRS 18, these accounting policies have been reviewed by the Board of Governors and are considered to be appropriate to the university's activities.

1. ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention modified to include the revaluation of land and buildings and acquired assets in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and applicable Accounting Standards.

2. TANGIBLE FIXED ASSETS

i) Capitalisation

Tangible assets are capitalised if they are capable of being used for a period that exceeds one year and:

- Individually have a cost equal to or greater than £10,000

or

- Collectively have a cost equal to or greater than £10,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control

or

- Irrespective of their individual cost, form part of the initial equipping of a new building

ii) Valuation

Land and buildings, included in tangible fixed assets, are recognised at current market cost. Innes England, an independent firm of commercial property consultants, valued the land and buildings as at 30 May 2012 for inclusion in the balance sheet at 31 July 2012; the basis of valuation being

v) Tangible donated fixed assets

Tangible fixed assets other than land that have been donated to the university are capitalised at market value with the same amount being credited to deferred capital grants. Assets are depreciated over their estimated useful lives, and a corresponding amount is released from deferred capital are made to the Teachers' Pension Scheme, the Universities Superannuation Scheme for academic staff and to the Local Government Pension Scheme for support staff. These are all independently administered schemes. Pension costs are assessed on the latest actuarial valuations of the schemes.

The Local Government Pension Scheme is accounted for on the basis of FRS 17. The assets of the scheme are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method. The difference between the fair value of assets and liabilities measured on an actuarial basis, net of the related amount of deferred tax, are recognised in the university's balance sheet as a pension scheme liability or asset as appropriate. A surplus is only included to the extent that the university is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. Changes in the defined asset or liability arising from factors other than cash contributions to the scheme are charged to the Income and Expenditure Account. The Teachers' Pension Scheme and the Universities Superannuation Scheme are multi-employer schemes where the university is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Contributions are charged directly to the Income and Expenditure Account as if the schemes were defined contribution scheme in accordance with FRS 17. Provision is made for enhanced pensions not accounted for under FRS 17 where employees have taken early retirement.

10. RECOGNITION OF INCOME

Income from tuition fees represents student fees received and receivable, which are attributable to the studies undertaken in the current accounting period. Bursaries and fee waivers are included in gross income and offset in other operating expenses.

Income from research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year. Contributions towards overhead costs are aligned with expenditure and recognised based on expenditure to date.

All income from short-term deposits and endowment asset investments is credited to the Income and Expenditure Account on a receivable basis.

Income from restricted endowments not expended in accordance with the 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.

11. CONSOLIDATION

The Consolidated Income and Expenditure Account and Balance Sheet include the annual accounts of the corporation, its subsidiary undertakings, except for dormant subsidiary companies, where the combined amounts involved are insignificant. Details of the university's subsidiary undertakings are provided in note 7 to the accounts. The Annual Accounts have been consolidated under the acquisition method of accounting.

The consolidated financial statements do not include those of De Montfort University Students' Union Limited, as it is a separate limited company in which the university has no financial interest. In 2013/14, the university made the recurrent grant to De Montfort University Students' Union Limited of £1million (2012/13: £851,000).

12. FINANCIAL INSTRUMENTS

Cash

In accordance with FRS 1, cash includes short-term, highly liquid investments that are readily convertible to known amounts of cash within 24 hours and without penalty and overdrafts.

Interest bearing borrowing

Bonds & long-term borrowings are recognised initially at fair value less attributed transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses in compliance with FRS 26 (IAS 39).

Investments in debt and equity securities

Other investments in debt and equity securities held by the university are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less any provision for impairment.

13. MAINTENANCE OF PREMISES

The cost of routine maintenance is charged to the Income and Expenditure Account in the period in which it is incurred. The university has a long-term planned maintenance programme, which is reviewed on an annual basis. The university charges actual expenditure on long-term planned maintenance to the Income and Expenditure Account in the period in which it is incurred.

14. STAFF RESTRUCTURING COSTS

Restructuring costs are recognised in respect of the direct expenditure of a reorganisation where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the Balance Sheet date.

15. PROVISIONS

Provisions are recognised when the university has a present and legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

16. FOREIGN CURRENCIES

The consolidated financial statements are presented in pounds sterling, which is the group's functional and presentation currency. The group does not include any foreign entity. In line with FRS 23 (IAS 21), transactions denominated in foreign currencies are recorded at the exchange rate on the transaction date, while assets and liabilities are translated at exchange rates at the balance sheet date. The resulting exchange rate differences are recognised in the Income and Expenditure Account.

17. ACCOUNTING FOR

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2014

Income	Note	2014 £'000 Total	2013 £'000

BALANCE SHEET

As at 31 July 2014

Fixed assets	**Note**	**Group 2014 £'000**	**Group 2013 £'000**	**Corporation 2014 £'000**	**Corporation 2013 £'000**
Tangible assets	7	273,014	269,266	273,014	269,266
Investments	8				

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STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets		8,996	1,582
Increase/(decrease) in value of fixed asset investment	18	44	(1)
New endowed funds	17	151	246
Appreciation of endowed funds	17	6	19
FRS 17 actuarial loss	27d		

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	**20**	**28,828**	**14,376**
Returns on investments and servicing of finance			
Interest received	21	772	725
Interest paid	21	(4,838)	(4,601)
Total returns on investment and servicing of finance		**(4,066)**	**(3,876)**
Net cash inflow after returns on investments and servicing of finance		**24,762**	**10,500**
Capital expenditure			
Payments to acquire tangible assets		(18,517)	(12,613)
Proceeds of sale of tangible assets		-	7,373
Deferred capital grants received		1,483	947
Net cash outflow from capital expenditure		**(17,034)**	**(4,293)**
Net cash inflow before management of liquid resources		**7,728**	**6,207**
Management of liquid resources			
Cash transferred from/(to) term deposits	22	17,955	(30,979)
Financing			
Loan drawn down in year		-	22
Loan repayment in year		(23)	(20)
Net cash (outflow)/inflow from financing		**(23)**	**2**
Increase/(decrease) in cash	**22**	**25,660**	**(24,770)**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	2014 £'000	2013 £'000
Increase/(decrease) in cash in the year	22	25,660	(24,770)
Cash (outflow)/inflow from liquid resources	22	(17,955)	30,979
New loans taken out in year		-	(22)
Loan repayment in year		23	20
Change in net funds		**7,728**	**6,207**
Net debt at 1 August		(6,592)	(12,799)
Net funds/(debt) at 31 July		**1,136**	**(6,592)**

This statement should be read in conjunction with the report of the Chairman, the Operating and Financial Review and Notes to the Accounts.

2. Staff costs and other details

	2013/2014 £'000	2012/2013 £'000
a) Staff costs		
Wages and salaries	70,248	70,931
Social security costs	5,856	5,914
Other pension costs	9,324	9,073
The financial effects of the adoption of FRS 17	(337)	(658)
Total	**85,091**	**85,260**

b) Employee numbers	**2013/2014**	**2012/2013**
The average number of persons employed during the year, expressed as full-time equivalents, are disclosed below.		
Academic		
Full-time	643	664
Part-time	232	215
Support	1,021	1,038
Total	**1,896**	**1,917**

c) Vice-Chancellor emoluments		
Salary	235	191
Bonus relating to prior year	45	25
Health insurance	1	2
	281	218
Pension contributions	8	31
Total	**289**	**249**

The emoluments, including taxable benefits, of the Vice-Chancellor are shown on the same basis as for higher paid staff and exclude employer's national insurance contributions.

Employer's pension contributions in respect of the Vice-Chancellor were made for three months of the year up until October 2013 at a rate of 16%.

The Contract of Employment of the Vice-Chancellor provides for termination by the corporation on giving 12 months' notice or the Vice-Chancellor reaching s pension contbutions in respect of the:9.332 -2.655 Td5 0.7y

3. Other operating expenses

		2013/2014 £'000	2012/2013 £'000
External auditors remuneration	Group audit	54	53
The above remuneration includes £43k in respect of the audit of the university (2013: £43k)			
Auditors fees for non-audit services	Other services supplied pursuant to such legislation	-	6
	Other services relating to taxation	32	13
	Other	1	-
Internal audit services		83	82
Residences and catering		1,463	1,121
Rent, rates and insurance		1,040	736
Repairs and general maintenance		3,781	4,508
Energy		2,417	2,449
Administrative expenses		5,620	4,805
Research grants and contracts		1,766	1,695
Legal, professional and consultancy fees		6,510	5,983
General education expenses		5,699	5,202
Student bursaries		5,177	7,358
Publicity		3,090	1,836
Staff development		488	381
Travel and subsistence		1,987	1,781
555ty StudentsT-			

5. Analysis of 2013/2014 expenditure by activity	Staff costs	Other operating expenses	Interest	Depreciation	Total	2012/2013 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	49,613	9,093	-	1,896	60,602	61,232
Academic services	12,325	5,587	-	3,694	21,606	20,526
Admin and central services	6,249	2,561	-	426	9,236	10,158
General education expenditure	2,722	12,273	-	94	15,089	13,728
Staff and student facilities	5,940	4,293	-	82	10,315	9,273
Premises	5,113	6,613	-	8,227	19,953	23,442
Residences and catering	319	1,463	-	252	2,034	1,855
Research grants and contracts	2,508	1,766	-	114	4,388	4,419
Other services rendered	639	451	-	-	1,090	1,059
Other expenditure	-	-	4,970	-	4,970	

8. Investments

	Group 2013/2014 £'000	Group 2012/2013 £'000	Corporation 2013/2014 £'000	Corporation 2012/2013 £'000
Movement in the year				
Balance at beginning of year	142	343	452	653
Disposals	-	(200)	-	(200)
Appreciation/(depreciation) of investments	44	(1)	44	(1)
Balance at year end	**186**	**142**	**496**	**452**
Analysis of closing balance				
Shareholding in subsidiary undertakings	-	-	310	310
Other investments	148	104	148	104

9. Endowment asset investments – group and corporation

	2013/2014 £'000	2012/2013 £'000
Balance at 1 August	1,259	1,218
New endowments invested	151	246
Increase in market value of investments	6	19
Decrease in cash balances held for endowment funds	(196)	(224)
Balance as at 31 July	**1,220**	**1,259**
Represented by:		
Securities and fixed interest stock	230	224
Bank balances	990	1,035
Total endowment assets	**1,220**	**1,259**

10. Stocks – group and corporation

	2013/2014 £'000	2012/2013 £'000
Goods for resale	3	3
Art and design	62	67
ITMS	37	21
Total	**102**	**91**

11. Debtors falling due within one year

	Group 2013/2014 £'000	Group 2012/2013 £'000	Corporation 2013/2014 £'000	Corporation 2012/2013 £'000
Student debtors	932	984	932	984
Other debtors	1,770	2,832	1,339	2,573
Research	1,009	985	1,009	985
Prepayments and accrued income	3,465	2,712	3,356	2,568
Subsidiary undertakings	-	-	1,275	873
Total	**7,176**	**7,513**	**7,911**	**7,983**

12. Short term deposits – group and corporation

In accordance with its established policy, the university regularly invests surplus funds on deposit or on the money market.

At 31 July 2014:
£42,010,000 of group funds were on deposit (31 July 2013: £59,965,000).
£40,675,000 of corporation funds were on deposit (31 July 2013: £58,929,000).

13. Creditors falling due within one year

	Group 2013/2014 £'000	Group 2012/2013 £'000	Corporation 2013/2014 £'000	Corporation 2012/2013 £'000
Payments received in advance	7,748	7,458	7,608	7,374
Trade creditors	3,926	3,016	3,840	2,940
Other creditors	4,088	3,390	4,088	3,390
Taxation	926	912	926	912
Social security	904	882	904	882
Accruals	4,231	4,279	4,093	4,192
Loans	14	23	14	23
Student caution deposits	366	363	366	363
Access funds (note 26)	127	163	127	163
Subsidiary undertakings	-	-	295	200
Total	**22,330**	**20,486**	**22,261**	**20,439**

14. Creditors falling due after more than one year – group and corporation	2013/2014 £'000	2012/2013 £'000
Bond (note 19a)	90,000	90,000
Bond transaction costs	(3,729)	(3,862)
Bond total	**86,271**	**86,138**
Other loans	8	22
Total	**86,279**	**86,160**

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17. Endowments – group and corporation	Unrestricted permanent £'000	Restricted permanent £'000	Total permanent £'000	Restricted expendable £'000	2013/2014 Total £'000	2012/2013 Total £'000
Capital	1	412	413	769	1,182	1,140
Accumulated income	-	66	66	11	77	78
Total	**1**	**478**	**479**	**780**	**1,259**	**1,218**
Investment income	-	11	11	7	18	22
Expenditure	-	(6)	(6)	(208)	(214)	(246)
Total	**-**	**5**	**5**	**(201)**	**(196)**	**(224)**
New endowments	-	1	1	150	151	246
Appreciation in market value of investments	-	6	6	-	6	19
At 31 July 2014	**1**	**490**	**491**	**729**	**1,220**	**1,259**
Represented by:						
Capital value	1	419	420	725	1,145	1,182
Accumulated income	-	71	71	4	75	77
Total	**1**	**490**	**491**	**729**	**1,220**	**1,259**

18. Reserves	Group 2013/2014 £'000	Group 2012/2013 £'000	Corporation 2013/2014 £'000	Corporation 2012/2013 £'000
Income and expenditure reserve				
At 1 August	95,602	85,700	95,345	85,443
Surplus retained in the year	9,192	1,806	9,192	1,806
Transfer from revaluation reserve	4,254	7,793	4,254	7,793
Add back pension deficit	362	303	362	303
At 31 July	**109,410**	**95,602**	**109,153**	**95,345**
Pension reserve				
At 1 August	(39,077)	(34,732)	(39,077)	(34,732)
Actuarial loss on pension scheme	(29,276)	(4,042)	(29,276)	(4,042)
Deficit retained within reserves	(362)	(303)	(362)	(303)
At 31 July	**(68,715)**	**(39,077)**	**(68,715)**	**(39,077)**
Revaluation reserve				
At 1 August	118,496	126,290	118,496	126,290
Increase/(decrease) in value of fixed asset investments	44	(1)	44	(1)
Contribution to depreciation	(4,254)	(7,793)	(4,254)	(7,793)
At 31 July	**114,286**	**118,496**	**114,286**	**118,496**
Total reserves	**154,981**	**175,021**	**154,724**	**174,764**

19. Borrowings and lease obligations – group and corporation

	2013/2014 Total £'000	2012/2013 Total £'000
a) Borrowings		
Borrowings in respect of bond issue, bank loans, overdrafts and other loans are repayable as follows:		
In one year or less	14	23
Between one and two years	5	14
Between two and five years	3	8
In five years or more	90,000	90,000
Total	**90,022**	**90,045**

Bond
An unsecured fixed rate public bond was issued in July 2012 in the sum of £110 million over a 30-year term with a coupon rate of 5.375%.
£20 million are reserve bonds held without coupon by the trustee for a five-year period to July 2017. If the reserve bonds are not sold in this time they will be withdrawn. There are no capital payments to be made over the term with the bond maturing in 2042.

DMU may, at its option, redeem all, or from time to time any part of, the bonds at the higher of the principal amount of the bonds and the sum of the gross redemption yield of the benchmark gilt (4.5% Treasury Gilt 2042) and 0.40%, plus accrued interest.

The bond transactions costs of £4.0 million are amortised over the life of the bond of 30 years to interest payable, with effect from financial year 2012/13.

b) Operating leases

At 31 July 2014, the university had annual commitment under operating leases as follows:

	2013/2014 Total £'000	2012/2013 Total £'000
Land and buildings		
Leases expiring within two-five years	82	82
Leases expiring thereafter	306	306
Total lease payments due	**388**	**388**
Other		
Leases expiring within one year	-	3
Leases expiring within two-five years	118	141
Total lease payments due	**118**	**144**

20. Net cash flow from operating activities – group	2013/2014 £'000	2012/2013 £'000
Income and Expenditure Account before taxation	9,091	(2,592)
FRS 17 impact on Income and Expenditure Account (including interest)	362	303
Endowment income adjustment	196	224
Write-down Lachesis investment	-	200
Write-down Charles Frears Campus value	-	1,100
Interest receivable (excluding FRS 17 interest)	(792)	(865)
Surplus/(deficit) before interest receivable	**8,857**	**(1,630)**
Add back interest payable (excluding FRS 17 interest):		
Interest on bond	4,837	4,839
Bond costs	133	133
Total interest payable	4,970	4,972
Surplus from operating activities	**13,827**	**3,342**
Release of capital grant	(1,887)	(5,165)
Increase/(decrease) in value of fixed asset investments	44	(1)
Depreciation	14,785	16,430
(Increase)/decrease in stock	(11)	31
Decrease/(increase) in debtors	357	(2,477)
Increase in creditors	1,789	1,144
(Decrease)/increase in provisions	(76)	1,072
Net cash inflow from ordinary operating activities	**28,828**	**14,376**

21. Returns on investments and servicing of finance – group	2013/2014 £'000	2012/2013 £'000
Income from short term investments	772	725
Interest paid	(4,838)	(4,601)
Total	**(4,066)**	**(3,876)**

22. Analysis of net funds – group

	At 1 August 2013 £'000	Non cash changes £'000	Cash flow £'000	At 31 July 2014 £'000
Net cash				
Cash at bank and in hand	23,488	-	25,660	49,148
Bank overdrafts	-	-	-	-
Total net cash	**23,488**	**-**	**25,660**	**49,148**
Liquid resources				
Current asset investments	59,965	-	(17,955)	42,010
Debt				
Debts falling due within one year	(23)	(14)	23	(14)
Debts falling due after one year	(90,022)	14	-	(90,008)
Total debt	**(90,045)**	**-**	**23**	**(90,022)**
Net funds	**(6,592)**	**-**	**7,728**	**1,136**

23. Financial commitments – group and corporation

Provision has not been made for the following capital commitments at 31 July 2014.

	2013/2014 £'000	2012/2013 £'000
Commitments contracted for	52,610	5,287
Authorised but not contracted for	20,178	70,338
Total	[illegible]	[illegible]

[illegible]

27. Pension schemes

a) The university's employees belong to two principle pension schemes, the Teachers' Pension Scheme (TPS) and the Leicestershire County Council Pension Fund, a Local Government Pension Scheme (LGPS) and there is also a strictly limited membership in the Universities Superannuation Scheme (USS). The total pension cost for the year was as follows:

Total pension cost for the year	**2013/2014 £'000**	**2012/2013 £'000**
Teachers Pension Scheme: contributions paid	4,564	4,810
University Superannuation Scheme: contributions paid	349	318
Local Government Pension Scheme	4,411	3,945
Total other pension costs	**9,324**	**9,073**
The financial effects of the adom9,0hl Govm[ension .114(7:(9,0)41137)41(3)]ri337)2 1 T087)41(3)]ri658)2 13(ot)-21(aleff)2.941 .882s		

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the scheme liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS 17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March was 75%. An estimate of the funding level measured on a historic gilt basis at that date was approximately 61%.

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, similarly be used to reduce contribution requirements.
The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below;

Assumption	**Change in assumption**	**Impact on shortfall**
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	One year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing costs 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 2011 valuation, 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 Price Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New entrants
Other than in specific, limited circumstances, new entrants are now provided benefits 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 service and new entrants to age 65.

Flexible retirement
Flexible retirement options were introduced.

Member contributions increased
Contributions were uplifted to 7.5% p.a. and 6.5% p.a. 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% of 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 following amounts at 31 July were measured in accordance with the requirements of FRS 17:

	2014 £'000	2013 £'000
Fair value of employer assets	136,832	120,437
Present value of scheme liabilities	(205,547)	(159,514)
Deficit in the scheme - net pension liability	**(68,715)**	**(39,077)**

Analysis of amounts charged to Income and Expenditure Account	**2014 £'000**	**2013 £'000**
Charged to staff costs		
Past service cost		-
Curtailment and settlements	(211)	(274)
Employer contributions	4,588	4,069
	337	**658**
Financing:		
Expected return on pension scheme assets	6,657	4,975
Interest on scheme liabilities	(7,356)	(5,936)
Net charge	**(699)**	**(961)**
Net income and expenditure account cost	**(362)**	**(303)**

	2014 £'000	**2013 £'000**
Amounts recognised in the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	(29,276)	(4,042)
Actuarial losses in pension plan recognised	(29,276)	(4,042)
Cumulative actuarial losses	**(44,264)**	**(14,988)**

Movement in deficit during the year	2014 £'000	2013 £'000
Deficit on scheme at 1 August	(39,077)	(34,732)
Movements in year:		
- Current service cost	(4,040)	(3,137)
- Employer contributions	4,588	4,069
- Impact of settlements and curtailments	(211)	(274)
- Net return on assets	(699)	(961)
Total impact on income and expenditure account (see note 18)	**(362)**	**(303)**
- Actuarial losses	(29,276)	(4,042)
Total movement in the year	**(29,638)**	**(4,345)**
Deficit on scheme at 31 July	**(68,715)**	**(39,077)**

Analysis of the movement in the market value of the scheme liabilities

Movement in deficit during the year	2014 £'000	2013 £'000
Liabilities at 1 August	159,514	137,618
Service cost	4,040	3,137
Interest cost	7,356	5,936
Employer contributions	1,844	1,694
Actuarial losses	37,627	15,087
Curtailments and settlements	211	274
Benefits paid	(5,045)	(4,232)
Closing defined benefit obligation	**205,547**	**159,514**

Analysis of the movement in the market value of scheme assets	2014 £'000	2013 £'000
Opening fair value of asset plans	120,437	102,886
Expected return on assets	6,657	4,975
Contributions by members	1,844	1,694
Contributions by employer	4,588	4,069
Actuarial gains	8,351	11,045
Estimated benefits paid	(5,045)	(4,232)
Total	**136,832**	**120,437**

History of experience gains and losses

The experience gains and losses for the year ended 31 July 2014 were as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between the expected and actual return on scheme assets	8,351	11,045	(5,737)	1,255	6,328
Percentage of scheme assets	6.1%	9.2%	(5.6%)	1.3%	6.7%
Experience (losses)/gains on liabilities	(5,811)	(131)	(1,586)	5,282	-
Percentage of the total present value of scheme liabilities	(2.8%)	(0.1%)	(1.2%)	4.0%	0.0%
Total actuarial losses/(gains)	29,276	4,042	1,890	(20,515)	871
Percentage of the present value of scheme liabilities	14.2%	2.5%	1.4%	(15.6%)	0.6%

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 July 2014	Approximate % increase to employer liability	Approximate monetary amount £'000
0.5% decrease in real discount rate	11%	23,388
One year increase in member life expectancy	3%	6,166
0.5% increase in the salary rate increase rate	4%	7,625
0.5% increase in the pension increase rate	8%	15,477

29. Financial instruments

Risk management

The group operates a centralised treasury function which is responsible for managing the credit, liquidity, interest and foreign currency risk associated with the group's activities. These financial risks are managed within parameters specified by the treasury management policy. Treasury management policy of the group governs all treasury management activities and sets out relevant policy objectives and control measures as driven by the University Financially

Unless previously redeemed or purchased and cancelled, the bonds will be redeemed at their principal amount on 30 June 2042.

Under the terms of the bonds, for so long as any of the bonds remains outstanding, in respect of each financial year, the group is to ensure that its total borrowing costs (as defined by the trust deed) do not exceed 7% of the aggregate of:

(a) Its total consolidated income for the financial year
(b) The total cash of the group as at the end of the financial year

For financial year ending on 31 July 2014, the ratio was 2.8% (2012/13 3.2%). The bonds may be redeemed at the option of the holder subject to happening of certain events mentioned in the bond trust deed. Moody's improved the credit rating of the bonds from Aa2 negative to Aa2 stable in April 2014. Please see Note 19 (a) for the maturity profile of all borrowings.

Foreign currency risk

Foreign currency risk refers to the risk that the unfavourable movements in foreign exchange rate may cause financial loss to the group.
The group's principal foreign currency exposures generally arise from research related receipts and payments denominated in euros. There are ring-fenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall foreign currency exposure is immaterial, being an insignificant portion of the total income and expenditure. At 31 July 2014, the sterling equivalent of all euro bank balances was £0.5m (2012/13: £0.7m).

Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investment risk).

The group's main financing relates to 30 years £110m bonds. At 31 July 2014, balance sheet values of deposits and investments are not exposed to changes in interest rates. However, the group's interest and investment income is exposed to changes in interest rates i.e. reinvestment rate risk. The group is prepared to accept re-investment risk to exploit opportunities where yield can be maximised without compromising capital base of the investment. The group has no outstanding derivative instruments as at 31 July 2014.

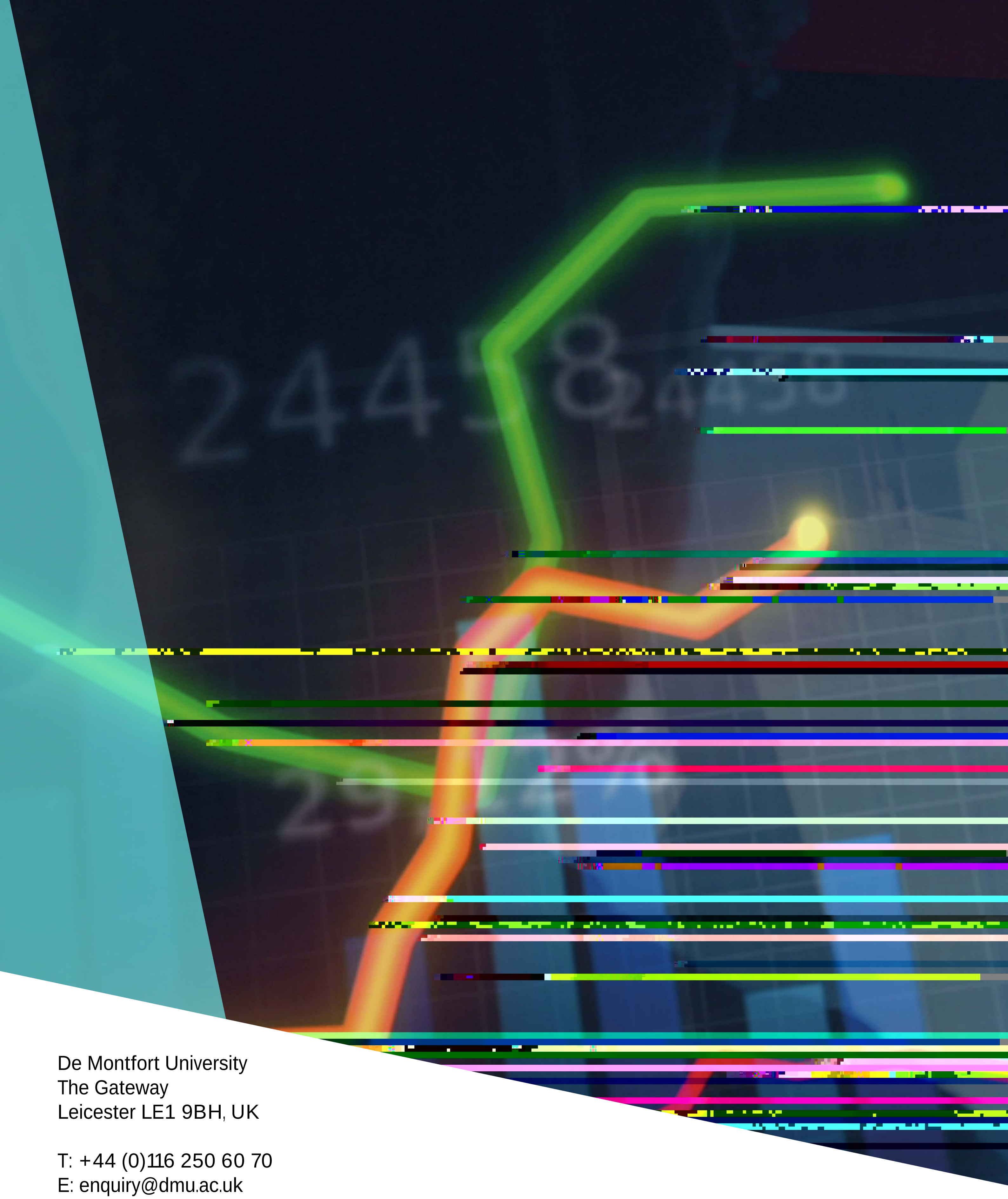
Financial instruments - fair values

The fair values of each category of the group's financial instruments are the same as their carrying values in the group's balance sheet, other than as noted below:

	2013/14 Carrying value £m	**2013/14 Fair value £m**	**2012/13 Carrying value £m**	**2012/13 Fair value £m**
5.375%, unsecured bonds due 2042	86.3	108.9	86.1	108.3

The bond is listed on the London Stock Exchange, therefore, categorised as Level 1 under the requirements of FRS 29 (IFRS 7) and valued using quoted ask price as at 31 July 2014 in compliance with FRS 26 (IAS 39). The fair value of the bond is its market value at the balance sheet date. Market value includes accrued interest and changes in credit risk and interest rate risk, and is therefore different to the reported carrying amounts.

NOTES



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